Proceedings of the

8th National Conference on

FRUIT AND VEGETABLE BARGAINING COOPERATIVES

Shamrock Hilton Hotel
Houston, Texas
January 11 & 12, 1964

U. S. Department of Agriculture
Farmer Cooperative Service
Washington, D. C. 20250

CONTENTS

PROCEEDINGS OF THE EIGHTH NATIONAL CONFERENCE ON FRUIT AND VEGETABLE BARGAINING COOPERATIVES

This is a report of the Eighth National Conference on Fruit and Vegetable Bargaining Cooperatives, held at the Shamrock Hilton Hotel, Houston, Texas, on January 11 and 12, 1964.

As with earlier conferences, the purpose was to provide a forum to discuss mutual problems and to encourage exchange of varying ideas and opinions to help bargaining cooperatives more effectively meet growers' needs.

Again at the request of various fruit and vegetable bargaining cooperatives, the Farmer Cooperative Service, U. S. Department of Agriculture, arranged and conducted the conference.

More than 84 persons participated in the conference. This included 21 persons representing 13 fruit and vegetable bargaining cooperatives; 28 from 21 other cooperatives; 9 from State and national cooperative organizations; 5 from the U. S. Department of Agriculture; 7 from land-grant colleges; and 14 others.

These proceedings include speeches made at the conference, as well as other related information. In view of the diversity of ideas expressed, the views reported here are those of the participants and not necessarily those of the U. S. Department of Agriculture.

Copies of these proceedings -- in limited quantity -- may be obtained from the Fruit and Vegetable Branch, Farmer Cooperative Service, U. S. Department of Agriculture, Washington, D. C. 20250.

PROGRAM

Saturday, January 11

12 noon - 2:00 p.m. Luncheon Session — Normandy A Room

Chairman . . . . Joseph G. Knapp, Administrator
Farmer Cooperative Service
U. S. Department of Agriculture

Words of welcome . . . . . Kenneth D. Naden, Executive Vice-President
National Council of Farmer Cooperatives
Washington, D. C.

Greetings from Texas . . T. R. Timm, Head
Department of Agricultural Economics
Texas A & M University
College Station, Texas

Bargaining power: What is it? How do farmers get it?
J. Kenneth Stern, President
American Institute of Cooperation
Washington, D. C.

2:00 - 5:00 p.m. First Afternoon Session — Nile Room

Chairman . . . . Joseph G. Knapp, Administrator
Farmer Cooperative Service
U. S. Department of Agriculture

The 1963 California bargaining experience in retrospect
Ralph B. Bunje, General Manager
California Canning Peach Association
San Francisco, California

Headaches and achievements of the American Agricultural Marketing Association
Harold J. Hartley, Manager
Fruit and Vegetable Division
American Agricultural Marketing Association
Chicago, Illinois

Grower-processor participation plans in the Florida citrus industry
Martin A. Blum, Chief
Fruit and Vegetable Branch
Farmer Cooperative Service
U. S. Department of Agriculture

Progress, problems and potentialities
Berkley I. Freeman, Manager
Great Lakes Cherry Producers Marketing Co-op.
Grand Rapids, Michigan

Lessons from last year's experience -- Brief reports on bargaining activities in other areas presented by various managers, directors, and others on the firing line.

Sunday, January 12

2:00 - 5:00 p.m. Second Afternoon Session — El Charro Room

Chairman . . . . J. Kenneth Samuels, Director
Marketing Division
Farmer Cooperative Service
U. S. Department of Agriculture

The Department's interest in increasing farmers' bargaining power
Frank W. Hussey
Office of the Secretary
U. S. Department of Agriculture

The retailer and the farmer -- problems and opportunities
S. Kent Christensen, Agricultural Counsel
National Association of Food Chains
Washington, D. C.

Goals and methods in achieving bargaining power
Gordon Sprague, Economist
Land O'Lakes Creameries, Inc.
Minneapolis, Minnesota

Legal developments of interest to bargaining cooperatives

Allen Lauterbach, General Counsel
and Assistant Secretary-Treasurer
American Farm Bureau Federation
Chicago, Illinois

Lyman S. Hulbert *
Attorney at Law
Washington, D. C.

Summary of the conference:
Joseph G. Knapp, Administrator
Farmer Cooperative Service
U. S. Department of Agriculture

*Mr. Hulbert is engaged in the private practice of law, and appears on this program in his capacity as legal consultant for the American Institute of Cooperation.

PERSONS ATTENDING THE CONFERENCE

Laurel Anderson	Malheur Potato Bargaining Association, Ontario, Oreg.
Charles K. Baker	Economist in Farm Organization, Texas A&M University, College Station, Tex.
Roy Barnes	Producers Cooperative Association, Bryan, Tex.
Sam Beyhan	Manager, Cooperative Mills, Baltimore, Md.
Richard L. Black	Manager, California Freestone Peach Association, Modesto, Calif.
Ralph B. Bunje	General Manager, California Canning Peach Association, San Francisco, Calif.
Gordon Cameron	President, Springfield Bank for Cooperatives, Springfield, Mass.
S. Kent Christensen	Agricultural Counsel, National Association of Food Chains, Washington, D. C.
Robert E. Collins	President, California Canning Pear Association, San Francisco, Calif.
Ralph M. Cooper	Assistant Executive Secretary, Wisconsin Council of Agricultural Cooperatives, Madison, Wis.
William J. Cremins	Marketing Specialist, Agricultural Marketing Service, U. S. Department of Agriculture, McAllen, Tex.
William C. Eckles	General Manager, Pure Milk Producers Cooperative, Fond du Lac, Wis.
E. M. Faye	President, Sunsweet Growers, San Jose, Calif.
R. F. Fly	Division Manager, California Packing Corporation, Crystal City, Tex.
Berkley I. Freeman	Manager, Great Lakes Cherry Producers Marketing Cooperative, Grand Rapids, Mich.
Leon Garoian	Economist, Oregon State University, Corvallis, Oreg.
Cameron Girton	Manager, California Canning Pear Association, San Francisco, Calif.
Charles H. Guiney	General Manager, Maine Potato Growers, Presque Isle, Maine
Gerald Hagan	Central Bldg., Oakland, Calif.
Pat Hall	Office of International Programs, Texas A&M University, Bryan, Tex.
Robert N. Hampton	Legislative Counsel, National Council of Farmer Cooperatives, Washington, D. C.
Glen R. Harris	Director, Rice Growers Association of California, Sacramento, Calif.
Harold J. Hartley	Manager, Fruit and Vegetable Division, American Agricultural Marketing Association, Chicago, Ill.
Floyd F. Hedlund	Director, Fruit and Vegetable Division, Agricultural Marketing Service, U. S. Department of Agriculture, Washington, D. C.
Bert L. Heggen	Northwest Washington Farm Crops Association, Mount Vernon, Wash.
Everett Heikes	Director, Oregon-Washington Vegetable and Fruit Growers Association, Salem, Oreg.

Glen E. Heitz	Director, Cooperative Bank Service, Farm Credit Administration, Washington, D. C.
Lester Heringer	Vice President, California Tomato Growers Association, Stockton, Calif.
W. Gifford Hoag	Chief, Information Services, Farm Credit Administration, Washington, D. C.
Robert F. Holt	Secretary-Manager, California Tomato Growers Association, Stockton, Calif.
Lyman S. Hulbert	Attorney-at-Law, Washington, D. C.
Frank W. Hussey	Office of the Secretary, U. S. Department of Agriculture, Washington, D. C.
Alan C. Jensen	California Canners and Growers, San Francisco, Calif.
Richard Johnsen, Jr.	Executive Secretary, Agricultural Council of California, Sacramento, Calif.
John B. Jones	Vice President and Secretary, Baltimore Bank for Cooperatives, Baltimore, Md.
Richard B. Jones	President, Baltimore Bank for Cooperatives, Baltimore, Md.
W. J. Klotzbach	General Manager, Cherry Growers, Inc., Traverse City, Mich.
T. O. Kluge	Sunsweet, San Jose, Calif.
Joseph G. Knapp	Administrator, Farmer Cooperative Service, U. S. Department of Agriculture, Washington, D. C.
M. E. Knouse	President, Knouse Foods Cooperative, Peach Glen, Pa.
A. T. Lassiter, Jr.	Manager, Virginia Agricultural Marketing Association, Richmond, Va.
Allen A. Lauterbach	General Counsel and Assistant Secretary-Treasurer, American Farm Bureau Federation, Chicago, Ill.
John T. Lesley	General Manager, Florida Citrus Exchange, Tampa, Fla.
William R. Lider	2nd Vice President, California Tomato Growers Association, Stockton, Calif.
Luther Linda	President, Sun Maid Raisin Growers of California, Fresno, Calif.
Philip N. Mark	Executive Vice-President, Tri-Valley Growers, San Francisco, Calif.
Loyd W. McCormick	Attorney, McCutchen, Doyle, Brown, Trautman and Enersen, San Francisco, Calif.
Robert H. McDougall	President, Columbia Bank for Cooperatives, Columbia, S. C.
Ray R. McLain	Vice President, Sunkist Growers, Inc., Visalia, Calif.
Walter Meyer	Manager, Texas Agricultural Marketing and Development Association, Waco, Tex.
Addison Moore	Director, Great Lakes Cherry Producers Marketing Cooperative, Grand Rapids, Mich.
Dorothy Mortensen	Ross Wurm and Associates, Modesto, Calif.
Kenneth D. Naden	Executive Vice-President, National Council of Farmer Cooperatives, Washington, D. C.
Richard T. O'Connell	Secretary, National Council of Farmer Cooperatives, Washington, D. C.
F. R. Olmstead	Attorney, Kansas City, Mo.
Mitchell Paradis	Director, Great Lakes Cherry Producers Marketing Cooperative, Grand Rapids, Mich.

Carlos Phillips	General Manager, Sun Maid Raisin Growers of California, Fresno, Calif.
Don H. Phipps	Manager, Northwest Wholesale, Inc., Wenatchee, Wash.
Gilbert Pollock	Manager, Oklahoma Agricultural Marketing Association, Oklahoma City, Okla.
Luther E. Raper	Executive Secretary, Virginia Council of Farmer Cooperatives, Richmond, Va.
Eugene Roberts	Director, Michigan Agricultural Cooperative Marketing Association, Grand Rapids, Mich.
William E. Robinson	Extension Economist, University of Maine, Orono, Maine
J. Kenneth Samuels	Director, Marketing Division, Farmer Cooperative Service, U. S. Department of Agriculture, Washington, D. C.
Gordon Schaffer	Chief Negotiator, National Farmers Organization, Corning, Iowa
Dale Seaquist	Director, Great Lakes Cherry Producers Marketing Cooperative, Grand Rapids, Mich.
Mel Selvick	Director, Great Lakes Cherry Producers Marketing Cooperative, Grand Rapids, Mich.
Lloyd Shankel	Director, Michigan Agricultural Cooperative Marketing Association, Grand Rapids, Mich.
Elton R. Smith	Director, Farm Bureau Services, Inc., Lansing, Mich.
Homer G. Smith	President, Central Bank for Cooperatives, Washington, D.C.
Gordon Sprague	Economist, Land O'Lakes Creameries, Inc., Minneapolis, Minn.
William B. Staiger	Assistant Executive Secretary, Agricultural Council of California, Sacramento, Calif.
Harold B. Sorensen	Associate Professor, Texas A&M University, College Station, Tex.
Oren Lee Staley	President, National Farmers Organization, Corning, Iowa
D. R. Stanfield	Executive Vice-President, Ohio Farm Bureau Federation, Columbus, Ohio
Edwin F. Steffen	General Counsel, Farm Bureau Services, Inc., Lansing, Mich
J. Kenneth Stern	President, American Institute of Cooperation, Washington, D. C.
Robert Sumner	Director, Ohio Agricultural Marketing Association, Tiffin, Ohio
Milo Swanton	Executive Secretary, Wisconsin Council of Agricultural Cooperatives, Madison, Wis.
Tyrus R. Timm	Head, Department of Agricultural Economics and Sociology, Texas A&M University, College Station, Tex.
Robert B. Tootell	Governor, Farm Credit Administration, Washington, D. C.
Harley D. Welch	President, Maine Potato Growers, Presque Isle, Maine
Wendell Weller	President, Ohio Agricultural Marketing Association, Columbus, Ohio
A. H. Whitmore	Secretary-Treasurer, Florida Citrus Production Credit Association, Orlando, Fla.
Robert W. Wilcox	Extension Economist, University of Idaho, Boise, Idaho
Arthur J. Yeager	Manager, Producers Cooperative Association, Bryan, Tex.

WORDS OF WELCOME

Kenneth D. Naden, Executive Vice-President
National Council of Farmer Cooperatives
Washington, D. C.

This is the fourth successive year I have greeted you gentlemen attending the National Fruit and Vegetable Bargaining Conference at the annual meeting of the National Council of Farmer Cooperatives. During that time, cooperative bargaining associations, as well as cooperative marketing and purchasing associations, have had their successes and failures. In general, we have had considerably more successes than failures and the growth of cooperatives is a rising curve.

There is one legislative item which may be on the front burner during the forthcoming session of Congress. It is the possible request by the Administration for the establishment of a nonpartisan commission to examine the changing market structure in our economy. The most obvious, and some say the most important, change in market structure that has occurred is the growth in size and influence of the supermarket and of the retail food chain as an influence in agriculture.

Changes in market structure are, however, much broader than this and involve the whole question of the growth and influence of oligopoly in our economy. The growth of oligopoly has a profound influence on our economy and on competition.

Farmers receive the impact of oligopoly in two ways: (1) Large-scale organizations in the field of farm supplies and farm services are able to pass rising costs, taxes, and profits along to farmers, and this causes a continuous increase in farm costs; (2) on the other side, the agricultural marketing firm, a large-scale organization, has the benefit of market strength in order to pass along its costs of research, market development, labor, capital, and transportation; so that the farmer becomes a residual income receiver on the marketing side.

These two actions accentuate the cost-price squeeze. Although this subject has been aired frequently, the ultimate impact of this development and its implications for the independence of farmers need additional study.

If this subject becomes important in the next session of Congress, you may be hearing from us or other agencies.

BARGAINING POWER: WHAT IS IT? HOW DO FARMERS GET IT?

J. Kenneth Stern, President
American Institute of Cooperation
Washington, D. C.

When a buyer and seller meet on more or less equal terms -- so that neither is likely to take advantage of the other -- we have an ideal situation for bargaining. But let us look at two different situations which commonly occur in agriculture.

One gives the advantage to the buyer and one to the seller. Suppose you are selling to a chainstore buyer and your crop is in short supply. The buyer pays you a premium and picks the product up at your place.

Now take a surplus situation. You deliver what-when-where the chainstore wants it, with quality-quantity-package-size specified by him. You store it and deliver as it is needed. This is how our private enterprise system works.

It is obvious to all of you that the wholesaler and distributor is fast disappearing and the relatively few buyers for the supermarkets deal directly with producer groups -- so that, generally the number of buyers is few and the number of sellers, large. If the sellers worked together in a central sales agency or through a federation, they could equalize this unbalanced bargaining.

Of course, facts on the supply and demand situation, crop prospects, quality, domestic and foreign competition, competition from substitutes, financial stability of those involved in the transaction, perishability, available storage, and other factors are influences at any bargaining table.

Farmers need a lot more information about many of these influences, not just for themselves but to insure that the men they elect on Committees, on Boards of Directors, and the Management; men that boards hire, are qualified to meet their bargaining counterpart in the industry.

Now, here is a Wall Street Journal Editorial of December 18, 1963, that points up one instance when farmers used bargaining power well.

The editorial, "No Quackery for the Ducks" -- pointed out that a few years ago the duck industry on Long Island, which produces more than 60 percent of all the ducklings raised in the U. S., was in pretty bad shape. Prices were slumping, markets unsteady. A lot of the farmers were in debt to feed companies.

Some growers in like circumstances have been known to send a delegation to Washington for help. The duck farmers, however, got together, formed a cooperative, hired an experienced manager and improved processing, packaging, marketing techniques and promotion. Demand has increased, prices have stabilized and, all in all, the growers' future looks bright.

So the Agriculture Department is hailing the Long Island duck operation as a fine example of self-help by an ailing agricultural enterprise. The editorial points out that it was all done without recourse to any Federal controls or subsidies. Which is all very fine; for what the duck farmers did was simply put their business on a sound competitive basis....

Too few farmers have learned this economic fact -- "I will profit more by receiving an average price on the higher level a strong, industrywide cooperative can maintain, than I can if I receive a small premium over a much lower average as a result of lack of grower organization."

Now, let me read from a Co-op's letter to its members describing how growers pull the rug out from under themselves:

"Rate of harvest continues slower than for comparable 100 million pound crop of 1961-62 ... 10.8 percent to 14 percent ... and a good thing in light of unusual marketing problems the past two months.

"Main headache has been Florida avocados. Abundant supplies in nearly all markets have severely limited out-of-state sales of California crop ... undercut prices nearly everywhere. Florida shipments into California none handled by Calavo, incidentally ... have been 2½ times greater than last year -- the year before there were none. In one 4-week period, one out of nine avocados offered in the Los Angeles-San Francisco market areas was from Florida.... for sale at 40 percent less than the average asking price for California Fuertes."

In like manner, dairy, fruit and vegetable, poultry and egg, and supply cooperatives, everywhere, invade each others' market areas and cancel a lot of their own bargaining power.

Please remember that I am not critical of the buyer for a chainstore or any other buyer who takes advantage of our competition with each other. We believe in a competitive economy, and the guy with the best cards wins the pot. If I were a buyer for a large chain, I would do the same thing -- they did something about their bargaining power and we must do something similar.

But why aren't we smart enough as producers' groups to federate, use centralized sales agencies, or consolidate one way or another to eliminate our weaknesses?

State and Federal commodity orders usually cannot be brought into a market or enforced without the aid of cooperatives. This is an admitted fact -- but too often the producer groups seek preference for their particular group -- bargaining versus operating cooperatives, for example -- and play right into the hand of competition.

Do we need national as well as State marketing orders in order to solve some of these problems -- or will cooperatives do the job themselves? For example, if all dairy bargaining and operating cooperatives were jointly to operate surplus or nationwide byproduct plants and feed fresh milk supplies to markets as needed -- could producers receive a higher return for their product? Would this be far less expensive than the expensive processing plants in each other's backyards?

Suppose the apple marketing cooperatives in the Northwest got together in one sales agency instead of competing with each other. Would this improve their bargaining power? Or, suppose the apple growers could bargain nationwide with processors. The American Farm Bureau Federation is trying to do this.

Maybe you need a market order for apples or cherries or something else.

Maybe the egg marketing co-ops on the West Coast should get together in one federation.

Or maybe bargaining cooperatives and operating cooperatives, handling the same commodities, should sit down together to put more dollars in farmers' pockets.

The biggest obstacle to producer bargaining power is that our market for many commodities today is nationwide and even worldwide, yet most producers -- most boards of directors -- and many managers, still think only in terms of their locality, city, region, or organization.

So hold up your end at the bargaining table.

This means iron-clad contracts. You've got to control supply. Keep buyers from going direct to producer and weakening the whole market.

Our colleges and Extension Services, particularly must give us more help on economic education. How many of those 3,000 county Extension staffs can or will give similar help on marketing?

We've got an educational job to do -- our enemy is ignorance.

In many cases our buyers would like to see us better organized -- let's wake up and close ranks.

The colleges, Farm Credit banks, F.C.S., State Councils -- all will help -- let's go!

THE 1963 CALIFORNIA BARGAINING EXPERIENCE IN RETROSPECT

Ralph B. Bunje, General Manager
California Canning Peach Association
San Francisco, California

"The 1963 Bargaining Experience in Retrospect." The title of this talk might better be "Mediation and How We Got There" because the 1963 marketing activities of the peach association were not only complex but probably unsatisfactory to most of those who participated. As many of you no doubt know, the association, as well as several canners, found it necessary to invite the Director of Agriculture in California to act as a mediator.

To put the season in perspective, I must describe the background to the 1963 price negotiations. There generally was a poor climate for good prices in 1963. This was because of the large supplies of canned fruit marketed during the preceding year -- many at low prices. Profits for many of the canners were slight or nonexistent, and competition for the available supplies by the processors had been intense.

This competitive situation was accompanied by liberal finance arrangements, bonuses, and the like that tended to raise growers' ideas as to the value of the 1963 crop. The industry was operating under a producer-only marketing order for the first time. Some of the major processors decided not to support a joint marketing order. The result was that it was impossible to pinpoint the amount of the crop that the processors would take. In addition, prospects for the crop loomed large with the total bearing acreage high. Against this background the association offered its peaches to the processors and established a price goal for the total crop of $40.2 million. This was less than the crop had been sold for the preceding year.

In July formal offers of this price were made and turned down twice by the processors. The association's board of directors felt their price offer was economically sound. It was apparent that the total supplies of competitive fruits would be down substantially and national economic conditions good with income at an all-time high.

The board of directors also believed that use of the sliding scale of price adjustment to volume was sound. Following the price rejections, negotiations continued on a day-to-day basis and canners made price advances during the season to the growers.

As it became apparent that negotiations were deadlocked, the association had these alternatives:

1. To bring a lawsuit under the reasonable price provision of its contract. This approach was not favored by the directors because of their reluctance to bring a lawsuit against customers.
2. To seek mediation.
3. To seek arbitration.
4. To keep on negotiating.

The board decided on the appointment of a mediator by the Director of Agriculture, J. Franklin Bennett, now Deputy Director of Agriculture. Mr. Bennett requested both sides to present their positions and following these presentations he made a proposal to satisfy both sides.

The mediator's proposal was not acceptable and we made a counter offer and requested the mediator ascertain what the canners' counter offer might be. The mediator advised that the counter offer was $55 a ton and that the processors would go no further.

When this information was given to the board of directors, they instructed the manager to file a complaint under the agricultural code against the canners for failure to pay growers in accordance with the contract terms. Shortly after these complaints were filed, the mediator advised that some of the major canners would alter their price proposal and accept the mediator's $57 price, provided that no general bonuses be paid beyond that point and that the association and the processors terminate any future pooling arrangements.

In retrospect it is my opinion that neither growers nor canners would like to negotiate under the rules of a mediator. The blocked negotiations generated more heat than light.

Many growers were astonished at the lack of economic basis for much of the f.o.b. pricing practices in the canning industry. There has been a hardening of attitudes between some canners and growers and their bargaining, and this is to be deplored. A one outlet crop such as cling peaches needs to operate in a climate of mutual confidence.

Other methods will undoubtedly be tried in the future because no 2 years have been the same in our industry. It is my personal opinion that third party negotiations are unsatisfactory to both sides. We will thus need to keep searching for a way to achieve climate for negotiations that will result in better net returns for both grower and processor as well as a better future for the whole industry.

HEADACHES AND ACHIEVEMENTS OF THE AMERICAN AGRICULTURAL MARKETING ASSOCIATION

Harold J. Hartley, Manager
Fruit and Vegetable Division
American Agricultural Marketing Association
Chicago, Illinois

My topic indicates the American Agricultural Marketing Association has had headaches this year. This is true. It also correctly implies that the AAMA has achieved a measure of success in 1963.

As we review the activities of the AAMA since its inception on January 29, 1960, we realize that our headaches in organization and operations are not unique, nor have we used unusual remedies.

As you know, the AAMA is an affiliate of the American Farm Bureau Federation, Chicago, Ill., and leans on the policies, philosophies, and strength of Farm Bureau to achieve its objectives.

One of our headaches, if we may call it that, was establishing guidelines for the Farm Bureau marketing program. We believe we have found basic guidelines for our present and future marketing activities.

I have listed some of them as follows:

1. Use and improve the market price system.
2. Use marketing associations as a tool, not as a weapon.
3. Develop a program on a sound basis to bring long-term gains.
4. Build marketing programs with strong, efficient producers.
5. Base programs on voluntary membership.
6. Use every possible means to educate producers on the objectives of the program. Information to members is the key ingredient to success.
7. Provide a method for buyers to participate in the changes that must come in agricultural marketing.
8. Use Government only to define and enforce rules of fair play.

These, of course, are not all of the rules of the game, but they do represent a basis for Farm Bureau's activities in market bargaining.

Some of you may have noticed the use of the term "market-bargaining" rather than "bargaining" alone. There are some who do not favor the use of the term "bargaining" per se due to objectional connotations.

It is our opinion that we must continue to work for a more favorable connotation of the term "bargaining" in agriculture. We bargain best by organizing growers, by disseminating information to form a "price image" for the industry, and by working to obtain buyer understanding of the farmers' position on contract terms.

One of our chronic headaches, at times acute, is persuading some leading producers to lead (or at least participate) in developing marketing programs. We have all encountered the "wait-and-seer" who will be a member only when all the problems are solved.

One effective method of getting participation has been the use of the "contingency clause" contract. This contract states specifically those things members can do through their associations, aside from contract negotiations. It also specifies in the contingency clause that when certain pre-stated conditions are met, the association <u>then</u> becomes the sales agent for all members.

This contract permits a grower to participate in the early phases of the marketing program, become informed on the association objectives, pay dues, and yet not commit his production to a marketing contract.

Another headache is the problem of persuading processors that our objective is to benefit the entire industry. <u>The</u> <u>remedy</u> for this is much like the one on T.V. three-way action.

First it relieves the anxieties of processors who fear that organized growers will use unsound economics in forcing price above realistic levels.

Second, it produces acceptance of the idea that changes in marketing are forthcoming and that both producers and buyers must share in guiding these changes so they will be evolutionary rather than revolutionary.

Third, it confronts processors with the question: Who will organize farmers--Government, labor unions, or farmers themselves?

During the past year, officials of the AAMA have met with officials of major national processors to discuss the AAMA program. We feel that great strides have been made toward better understanding of market-bargaining. More sound progress can be made through this approach.

At the same time, in compliance with the wishes of its delegates, Farm Bureau is introducing Federal legislation to clearly define and prevent unfair trade practices. It is generally agreed that officials of most major processors do not condone unfair practices and should not object to such legislation. Growers will feel more secure with this legislation in effect.

Interstate, interarea, and intercommodity coordination is one of the primary objectives of the AAMA, one on which we have made considerable progress.

Since January 1960, 25 States have organized State Farm Bureau affiliated marketing associations. These organizations are offering marketing services to producers of any commodity where there is a need and a desire for services.

Across the United States producers of 14 different commodities have signed membership agreements with State associations. These producers receive marketing services ranging from information, contract analysis, labor services, legislation, record keeping, market development and contract negotiation, and sales.

Producers of the following commodities presently are receiving such services through these new State Farm Bureau marketing associations: Asparagus, apples for processing, green lima beans, cucumbers for pickles, broccoli for processing, soybeans, peaches, potatoes, tomatoes for processing, sweet potatoes, fresh vegetables, lambs, feeder cattle, and timber.

Producers of some commodities (as examples, apples for processing and tomatoes for processing) have asked for a nationally coordinated program through the AAMA. These two commodities have become major "pilot projects" in contract marketing to establish guidelines for future programs.

These programs have made excellent progress. National advisory committees for both commodities have made recommendations to the AAMA which have formed the basis for State and national action. Interstate coordination, information exchange, overall pricing objectives and coordinated sales efforts have produced marketing strength.

Sales have been negotiated by State associations for apple and tomato producers. Conferences between grower committees and processor representatives have been arranged. Grower newsletters have been effective in analyzing market conditions and impressing a "price image" upon the industry. Grading and quality recognition have been focal points in some areas.

As these "pilot projects" progress, we have become increasingly aware of the interrelationship between areas and commodities in development of marketing activities. It is our opinion that the AAMA can and will provide additional opportunities for closer coordination of these interrelated interests. We also believe that our marketing strength will be enhanced by this relationship.

During the past season Farm Bureau has become increasingly aware of the opportunities in marketing and of the obligation of their leaders to participate in the development of market-bargaining programs. It is not entirely coincidental that membership in Farm Bureau is now at an all-time high.

Farmers want and need an improved system of marketing. We believe a contract selling and producer group action in negotiation of contract terms will continue to gain acceptance by producers and buyers.

We recognize there will be headaches in the future, but we also know there are headache remedies. And as headaches are remedied, we build on the achievements.

GROWER-PROCESSOR PARTICIPATION PLANS IN THE FLORIDA CITRUS INDUSTRY

Martin A. Blum, Chief
Fruit and Vegetable Branch
Farmer Cooperative Service
U. S. Department of Agriculture

During the 1950's, frozen concentrated orange juice became the most important single product of the Florida citrus industry. Before concentrated orange juice was developed, the major part of the crop was shipped to consuming centers and sold fresh.

In the 1961-62 season, Florida production of oranges reached an all-time high of approximately 113 million boxes. Of this, about 65 percent went into frozen concentrated juice. Last season, in which a severe freeze blanketed most of the Florida citrus belt, production reached only 75 million boxes. Present indications are that the current season will yield an orange crop of between 60 and 65 million boxes. The estimated proportion of this crop destined for the concentrate market will approximate the prefreeze proportion of 65 percent.

In Florida, 23 firms process oranges into frozen concentrate. In a few instances, a firm may operate two or more plants, Six of these 23 firms are cooperatively owned. The others are proprietary organizations. Some firms process only the frozen concentrated product, but others process single-strength juice and other citrus products as well. It is estimated that cooperatives produce approximately one-fourth of the total concentrate.

Historically, Florida citrus concentrators have used a variety of methods in purchasing fruit, an indication of their continuing concern over the problem of obtaining an adequate supply of quality raw products. Growers, too, are faced with a continuing problem of finding a good market for their crops. To meet these mutual problems, the Florida citrus industry has increasingly used a relatively new approach -- participation plans.

In Florida, these plans first appeared in the early 1950's along with the development of frozen orange juice concentrate and the rapidly increasing need for raw product to fill processors' requirements.

However, it was not until the late fifties that they began to enjoy their present popularity. The more recent use of participation plans appears to be related to the increasing production of oranges, growers' concern for a market for their fruit, and processors' concern for assuring a raw product supply of desirable fruit at established costs.

A participation plan, as the industry in recent years has generally accepted the term, means any plan which provides growers and concentrators an opportunity for sharing risks and profits from processing and marketing. Cooperative plans are sometimes referred to as bargaining cooperatives. Four such plans are in operation today. However, the cooperatives which are affiliated with these plans, do not negotiate with more than one processor.

Some plans are operated by processors rather than by a separate organization of growers. These arrangements are sometimes referred to as profit-sharing plans. It is estimated that nine Florida citrus processors operated some kind of profit-sharing plan negotiated directly with individual growers.

Whether the plans are negotiated and administered under a cooperative arrangement or under ourright processor sponsorship, certain similarities exist among them. Generally, all of these plans provide for the delivery of a commodity of certain specifications and a formula for determining price. There may be advances but the final payment is made only after the processed product is sold.

The principle of operation here is similar to that of a cooperative marketing organization where growers actually own the processing facilities. There are features common to both kinds of organizations such as product specifications, price formulas or pooling, advance payments and final settlements after the sale of the product.

Thus, it is not surprising that participation plans are looked upon as having a distinct cooperative flavor, or that cooperatives have recently been established for the sole purpose of operating such plans.

Approximately 26 percent of all Florida oranges used in the 1961-62 pack of frozen orange juice concentrate was supplied by members of three Florida cooperative participation plans. To provide you with some insights into how these plans work I would like to discuss in a rather broad fashion, the operations of these three plans.

The First Plan -- Perhaps the most widely known plan is that of Florida Orange Marketers, Inc., Orlando, or F.O.M. Established in 1957, this cooperative has a continuing contract with the Minute Maid Company, now a division of the Coca-Cola Company. Those of you who attended the Third Bargaining Conference held in New Orleans during January of 1959 will remember that representatives of F.O.M. and the Minute Maid Corporation appeared on the program to discuss the details of their arrangement.

The Second Plan -- Another organization, Quality Orange Growers, Inc., Dunedin, was organized in the summer of 1961. It has a continuing contract with H. P. Hood and Sons.

The contracts between these two cooperatives and their respective processors provide for delivery of members' fruit to the processor and for payment to the cooperatives as the processed product is sold. However, contract terms are renegotiable each year prior to the start of the processing season.

Most recently, changes in payment methods were made in response to the freeze of December 1962, which drastically reduced the tonnage of fruit available for processing. As a result of these changes, the contracts of these cooperatives for the 1963-64 season show more similarities than during any previous period. Each agreement, for the first time, now provides three alternative methods for calculating returns at the end of the season.

These methods, in generalized form, are as follows:

1. Returns may be based on the Florida Canners Association season average price for early and midseason oranges and Valencia orange solids.
2. Returns may be based on season average f.o.b. prices per dozen six-ounce cans reported by Florida packers of unadvertised brands of frozen orange concentrate, less an agreed upon deduction to cover processing costs.
3. Returns may be based on processors' sales prices, less all costs of processing and marketing and a small percentage of sales representing the processors' fee for these services.

Whichever method results in the largest grower payment will automatically be used to compute growers' returns. This rather favorable development reflects the highly competitive nature of Florida citrus processing operations, particularly under short crop conditions.

The contracts used by these cooperatives are much more detailed than I have outlined here. And it is in this detail that the real differences appear which can affect the ultimate returns to the grower. The details of the processor-cooperative contracts, in turn, become essential parts of the uniform marketing contracts between the grower-members and their cooperatives.

Both F.O.M. and Quality provide for advance payments to be made to the grower at the time fruit is delivered, but growers are obligated to pay interest at rates the respective processors pay on commercial borrowings.

Growers in both cases sign a uniform marketing contract specifying a minimum number of boxes of concentrate grade oranges to be delivered to processors. The penalty for failure to deliver the specified quantity, except under the usual provisions relating to unforseeable or uncontrollable developments, is 25 cents for each undelivered box.

Both plans provide for processors, in their capacities as growers, to be members of the cooperative. As a member, each has but one vote -- the same as any other member.

However, Minute Maid Growers Corporation, the fruit-growing subsidiary of the Minute Maid Company, as well as the company itself -- which has agreed to have all its concentrate grade fruit purchased on the open market go through F.O.M. channels -- each have one membership and one vote in the cooperative.

Hood furnishes oranges from its own groves and purchased fruit to equal the volume supplied by other members of Quality combined up to the limitations of its plant. These measures are taken by the processors in support of the cooperatives' activities.

Both F.O.M. and Quality will help their members find markets for oranges and other citrus not suitable for concentrate.

Marketing contracts of both cooperatives provide for a deduction to cover operating costs -- one for 2 cents and the other for 3 cents for each box delivered. However, both associations have operated for less than 1 cent per box.

No retains are made for capital purposes by either F.O.M. or Quality. As a matter of fact, both cooperatives have been quick to emphasize that their plans make multimillion dollar processing facilities available to growers with no investment on their part necessary.

Growth in both membership and volume of fruit processed under these plans speaks well for their success. Since the 1957-58 season, F.O.M. membership has grown from approximately 20 to more than 480 and fruit processed nearly tripled from 4.5 million boxes to more than 11 million boxes in 1960-61.

Quality has grown from 37 members in the 1961-62 season to a little over 100 in 1962-63. At the same time, volume of fruit committed in 1962-63 prior to the freeze, reached 2.8 million boxes as compared with 1.2 million boxes processed the previous season. The present memberships of these cooperatives remain close to prefreeze levels.

The Third Plan -- Florida West Coast Growers of Dade City is an illustration. It supplies more than half of the raw product requirements of the Pasco Packing Company, a leading Florida citrus concentrator and canner. Organized in 1946, its membership now includes over 400 individuals, cooperatives, and other firms that supply from a few hundred to several hundred thousand boxes of fruit each season.

The West Coast operation in Florida illustrates that not all cooperatives that operate participation plans do this exclusively. This cooperative also provides for picking and hauling its members' fruit. Equipment is leased by the association from the Pasco Packing Company to harvest and deliver members' crops to the plant.

Picking and hauling operations have netted West Coast's growers a real bonus. The cooperative's costs for these operations in 1961-62 were about 8 to 9 cents lower for oranges than the average for more than 30 citrus handlers.

West Coast operates under a contract with Pasco. Pasco guarantees to process the members' fruit into salable products and sell them at the prevailing market price. For its services, Pasco receives an amount slightly in excess of its actual processing and selling costs.

The marketing agreement between West Coast and its members provides that the proceeds from the sale of members' products will be returned after deductions for services rendered, including advances, interest on advances, costs of picking, receiving, assembling, transporting, processing, advertising, and selling.

The membership agreement discloses some of the essential differences between the operations of West Coast and those of F.O.M. and Quality. This agreement does not contain a detailed formula for payment to the grower. Neither does it contain any price guarantees. Instead, West Coast depends on usual cooperative pooling practices, reserving to its board of directors the discretion of establishing appropriate product pools. West Coast claims that, over a 17-year period, its members have averaged higher returns for their fruit than the canners'average price or any other cooperative having different marketing agreements.

Unlike the others, West Coast accepts grapefruit and tangerines in large quantities. But West Coast like the others, requires that their members submit estimates on all fruit to be delivered in each season, and barring unforeseen contingencies, a 15-cent penalty is imposed for each undelivered box.

The assurance of a market for a grower's fruit as guaranteed through a participation plan may be a major advantage to a grower especially when a surplus appears likely.

Another advantage to growers who join participation plans is the opportunity to share in the ultimate returns for their products. This may be a matter of actually sharing in the profits from the processing operation, or in obtaining a price which bears a direct relationship to prices received for the manufactured product. Yet these benefits are not without risks, no matter how remote they may seem. It is conceivable that prices for the manufactured product could decline,resulting in lower returns than were anticipated at time raw fruit was delivered.

Because under these plans growers forego payment for their product at time of delivery, they not only share in price risks, they also provide some of the financing the processor would normally seek from other sources if he operated as a cash buyer. Of course these plans provide for advances to the grower at the time fruit is delivered, but until enough of the processed products are sold to pay off these advances, he is usually expected to pay interest on these obligations.

Although the delays and risks these payment methods involve may not be large, the grower's return for a box of fruit should be larger than if he had sold his crop for cash. Returns under a participation plan should reflect the degree of risk the grower holds over and above that associated with the production of raw fruit.

From the grower's point of view, these plans fit into a market structure pattern about midway between the independent grower-processor relationship and the grower-cooperative processing operation. Under the participation plan arrangement, the grower, on one hand, assumes risks he did not have operating solely as a grower. Yet, on the other hand, he has not assumed the risks, nor does he attain the control over his products, that he would have with an ownership share in his own cooperative processing facility.

From the processor's point of view, large investments in processing facilities must be protected by low operating costs that are dependent on a large and continuous supply of fruit. Concentrators find in these plans a method of assuring an adequate supply of fruit of a certain quality.

With participation plans, processors can reduce their requirements for working capital. Costs to processors are reduced as growers partially finance inventories until the finished product is sold. For these advantages the processor shares his profits.

It appears that both growers and processors have found these participation plans advantageous. Membership in plans has grown. More and more processing have found it either necessary or desirable to initiate such plans. But both growers and processors have been cautious in committing all their resources to these plans. Processors associated with these plans have remained active in the cash buying market and some are continuing to invest heavily in groves of their own. Many growers in joining these plans have committed only a part of their production to the plan, using other outlets for the remainder of their crop.

Participation plans do not, as even their most ardent supporters would admit, replace other marketing methods. Cash buying and cooperative ownership of processing facilities continue to fill important needs for Florida citrus growers. However, in the complex marketing system, for Florida citrus, participation plans do serve a useful function. The type of marketing opportunity offered Florida citrus growers may have application and hold benefits for producers and processors in other agricultural industries.

PROGRESS, PROBLEMS, AND POTENTIALS

Berkley I. Freeman, Manager
Great Lakes Cherry Producers Marketing Cooperative
Grand Rapids, Michigan

In planning for the future, it is often wise to review the past. Let's review the association's activities during the past five years, so that you may evaluate not only our efforts but the marketing problems confronting all cherry producers.

We have prepared a table showing Great Lake's cost of participating in an organized marketing effort and what we believe is an honest evaluation of their returns as a result of the association's efforts. Each year is assessed separately with the actual cost per ton as well as a comparison of the established price with the price that might have been, had it not been for the actions of the association.

The cost per ton averaged $3.24 or less than 1/6 cent per pound over the five-year period. We believe growers received an average of $18 a ton more for their cherries over this same period than they would have, had it not been for their organized efforts through Great Lakes. We have purposely not attempted to establish a cash value on our efforts of 1963, despite the fact that we were responsible for increasing the price of off-grade cherries sold for juice by $20 per ton.

COOPERATION DOES NOT COST - IT PAYS

Year	Price/ Ton	Assess- ment	Rebate	Cost/ Ton	1/ Would have been	Value	Tons	Val.- Cost	Benefit
1959	$125 x 2% =	$2.50	$ .50	$2.00	$ 80 - $100	$25/T	______	x $23/T =	______
1960	$150 x 2% =	3.00	.45	2.55	$140	$10/T	______	x $ 7/T =	______
1961	$165 x 5% =	8.25	4.95	3.30	$140	$25/T	______	x $21/T =	______
1962	$100 x 5% =	5.00	.46	4.54	? - $ 80	$20/T	______	x $15/T =	______
1963	$190 x 5% =	9.50	5.70	3.80	--	?	______		______
								Total =	______

1/ Areas of weakness in grower price.

1959 New York (G.L. purchased 2,000 T); N. Michigan - freezers.

1960 S. Michigan - (G.L. made arrangements to shift to freezers in C. Michigan) - not packers.

1961 N. Michigan - (2 million lbs. cherry growers' crop - 8-1/4), New York - freezers.

1962 S. Michigan, C. Mich., N. Mich., Wisconsin & New York (Wayne County) bought in each area - freezers and hotpackers.

So much for the past. And now a look into the future. In a time of accelerated change, integration both vertically and horizontally, a shrinking world, and an exploding population, we dare not rest on our laurels or develop a set pattern of operation. We must take the maximum risk with the maximum rewards. The board of directors must take stands on issues, and the cooperative manager must be willing to risk his reputation and his job on a decision that cannot be proved except through years of operation.

We have presented, at grower meetings in Michigan, New York, Wisconsin, Pennsylvania, and Ohio, a plan of operation which extends exploratory operations in processing Individually Quick Frozen Cherries for the export and the domestic markets. In every meeting members indicated their full support for this effort although it would require the use of part of the 3 percent Contingency Fund to finance the project. We feel the possible rewards justify the risks. We plan to test-market 20,000 16-ounce consumer packages at various price levels during February and March. If the results of the test merit continuing the retail project, it will be expanded in the future. At present the board of directors plan to process 2 million pounds in 1964, using the same I.Q.F. process used in 1963.

The following review gives in detail the action taken by the association in recent years, and demonstrates what growers have accomplished by working together.

1959

6-1/4¢ a pound price established - despite:

1- During negotiations for 6-1/4 cents per pound price, a large broker in Chicago began quoting cherries at 10 cents which reflected no more than 5 cents to growers. This action discouraged processors from accepting the 6-1/4-cent price, which would have required a minimum opening price of 11-1/4 cents just to break even. This broker had no volume of cherries to sell at the 10 cent-price he was quoting, but his actions still created a serious weakness in the market and made it difficult to convince processors that a 6-1/4-cent price to growers was justified.

2- After two weeks of constant negotiations, processors in the early areas of Pennsylvania and Southern Michigan did accept the 6-1/4-cent price on the condition that we sell 51 percent of the tonnage available for sale in the association at that price. However, before this was done, all of the processors west of Rochester in New York State got together and announced a 5 cents price, while processors in Wayne County of New York announced they would not guarantee any price but would pay growers what was left after they deducted their margin. When this happened, the board of directors called an emergency meeting and decided to buy members' cherries in New York at the 6-1/4-cent price to prevent the price from collapsing to 5 cents. The organization at that time was not well enough financed to buy and so some of the directors and the manager signed personal notes for $100,000 to help finance the purchase.

3- While arrangements were being made to purchase cherries in New York State, one large processor in Central Michigan refused to accept cherries from 36 growers (18 of whom were Great Lakes members) because he couldn't handle them. Actually, he was trying to minimize his risks by not processing so many. So Great Lakes made arrangmments to have its members' cherries sold to another processor. As soon as the price firmed at 6-1/4 cents, as a result of our actions in New York and Central Michigan, the processor decided he could handle the cherries after all.

4- Up on the Old Mission Peninsula in Northern Michigan, processors had about three million pounds of cherries (two million pounds Great Lakes members) which they were trying to buy for 4 cents so that they would be protected in case the price did go to 5 cents in New York. We learned of their plans to announce a 4 cent price on Sunday afternoon and by 10 p.m. Sunday night, after working all afternoon to find other homes for those cherries, we had offers for them in three other places.

NOTE - The weakness created by any one of these four situations was serious enough to have driven the price to 5 cents or less if there had not been an organized effort by growers to prevent it. That organized effort was through Great Lakes Cherry Producers Marketing Cooperative, Inc. So, at a cost of 2 percent x $125 per ton, growers received at least $25 per ton more than they would have if there had been no Great Lakes. And, as an addition, growers received from Great Lakes 50 cents per ton in cash back from their $2.50 per ton assessment, so they actually received $25 benefit for each $2 invested.

1960

1- The Situation - A small carryover in frozen stocks, but a large carryover in canned. Freezers anxious to get cherries, but canners refused to sign the announced 7-1/2 cents price even though the frozen market might have justified 8 cents. Hotpackers were afraid to gamble that there would be a big enough shift to frozen to permit them to pack at a 7-1/2 cent price. Here is the reason why - the f.o.b. price in 1959 was:

a) #303 - $ 1.67 per case av.)
#10 - $10.50 per case av.) 6-1/4 cents to grower

If they paid 7-1/2 cents to growers they would have to get:

#303 - $2.00 to $2.50 per case)
#10 - $12 to $12.50 per case) 7-1/2 cents to grower

and at an 8 cent price which freezers could pay, canners needed:

#303 - $2.75 to $3.00 per case
#10 - $13 to $13.50 per case

b) If the price had been established at 8 cents, 90 percent of the cherries would have to have been packed by freezers. It was physically impossible for them to do that, so that was why canners did not want to sign Great Lakes contract at 7-1/2 cents.

c) They did so, however, only because Great Lakes made arrangements to begin shipping, if necessary, its members' cherries from canners in Southern Michigan to freezers in Central Michigan and because our membership had increased greatly and with it our bargaining strength and purchasing power. Rather than lose the cherries, the canners decided to gamble on the 7-1/2-cent price and so signed our contract. In New York State, where they had only 50 percent of an average crop and where most of the cherries go to freezers, the price went to 8-1/2 cents. However, if the national price had been only 7 cents, the price in New York would still probably have been only 1 cent higher or 8 cents (instead of 8-1/2 cents).

So, as a result of Great Lakes action in Southern Michigan, the price to growers was strengthened $10 per ton. To get that extra $10 per ton, growers paid an assessment of 2 percent x $150 per ton ($3.00 per ton). We returned in cash the following spring 45 cents per ton so the actual cost was only $2.55 per ton. This meant that the cash benefit to our members was over $7.00 per ton ($10 - $2.55).

<u>1961</u>

1- Despite the fact that processors did fairly well in 1960 and the carry-over was not large, there was considerable resistance to Great Lakes announced price of 8-1/4 cents. When the price was first announced in June, only 21 of 120 processors agreed to pay it (only 4 in New York State).

2- To establish it as final, it is necessary to have sold 51 percent of the tonnage available for sale in the association. So the board of directors restudied the market and again came out with the 8-1/4-cent price, giving processors until 5 p.m., Friday, June 30, as a deadline for the price to be accepted.

a) At 2 p.m. on Friday, June 30, Great Lakes received wires from all the Northern Michigan processors indicating they were willing to accept the terms of the contract <u>but not the price</u>. They indicated, however, that if we were able to sell the required 51 percent, they were willing to renegotiate. They figured that between 2 p.m. and the deadline of 5 p.m., Great Lakes would not be able to sell the required 51 percent. This would give them Saturday, Sunday, Monday, and Tuesday (over 4th of July) to offer a lower price.

b) They did not know that for three days Great Lakes had been on the phone from 7 a.m. to 11 p.m. contacting members in Northern Michigan, giving them the details of the problem confronting them and that over 150 of them agreed to shift their tonnage to other processors if necessary. Those processors also did not know that we already had 49-50 percent of the required 51 percent sold.

c) ACTION!! - When we received the wires from those processors, Great Lakes then sold two million pounds of those cherries to Cherry Growers, Inc. at 8-1/4 cents. This sale made the 51 percent needed. Also one of our directors in that area (350 tons) influenced his processor to sign, which made more than the 51 percent, so Great Lakes wired (at 4 p.m.) those processors: "Price established at 8-1/4 cents - wire if want preferenced tonnage." At 5:30 p.m. the Northern Michigan processors accepted the 8-1/4 cents; Saturday a.m. Southern Michigan accepted and in the next few days processors in Wisconsin, Pennsylvania, and New York accepted.

3- Normally, with the price established, our problems would be over. However, soon after harvest is became apparent to everyone that the crop was much larger than estimated. Processors began to panic. In New York, for example, they began to tell growers they would take only the estimated tonnage at 8-1/4 cents. All tonnage in excess would have to be delivered at no guaranteed price. Of course, all Great Lakes members' tonnage was sold on a firm price so we did not have to worry. However, if nonmembers began to deliver tonnage on that basis, this would greatly weaken the market and those processors who had the greatest tonnage with Great Lakes would be most seriously affected. Therefore, the board of directors called an emergency meeting to decide what to do. They decided to announce to nonmembers in New York that the association would buy any cherries they could not sell to processors at the 8-1/4-cent price. This action by Great Lakes strengthened the market enough so that most processors agreed to stay with the 8-1/4-cent price for all cherries delivered.

NOTE - The two in New York who did not pay the full 8-1/4 cents paid only 6 cents and 7 cents respectively on the excess tonnage from nonmembers. Great Lakes members received the 8-1/4 cents for all their cherries.

4- The crop turned out to be 25 percent over the estimate, 45 percent larger than 1960 and 12 percent larger than any previous crop. This meant extra effort was going to be needed to sell such a large crop. Although Great Lakes had always been considered by many to be only a price-establishing organization, the board of directors and management recognized that we had a responsibility, even though it was not our fault the estimate had been so bad, to help processors move the tremendous pack. The association embarked with four-point assistance:

a) Along with other segments of the industry we helped alert the Government to marketing problems which resulted in the sale of 12-1/2 million pounds of cherries for the School Lunch Program.

b) The Quartermaster Corps responded by increasing its purchases from 6 to 8-1/2 million pounds.
c) Great Lakes purchased for its Export Program 1-1/2 million pounds (were first shipments of frozen ever exported from United States).
d) Great Lakes worked with NAFC (National Association of Food Chains) and NARGUS (National Association of Retail Grocers of United States) to develop a special Farmer-Retailer Promotional Program. The stores in these organizations represent all the major chains in the United States, except A&P, and do a $26.6 billion business. Great Lakes then sent its staff on the road setting up promotions with retailers and with wholesale grocers. We also advertised (cherry pie-mix on top of ice cream) in conjunction with the American Dairy Association on the Dinah Shore program. The total cost to our members for all these programs was $3.30 per ton.

1962

The Situation - The crop was estimated to be (and turned out to be) about 340,000,000 pounds which was a new record crop and was 33 percent above the 10-year average. In addition the carryover was 113 percent over the 10-year average and 320 percent more than in 1961. A further weakness in the market was a result of the weak financial position of many processors who suffered serious losses in 1961.

After serious consideration of all those factors which influence the market value of cherries, the board of directors announced a 5-1/2-cent price, recognizing that it was a price for which cherries cannot be profitably grown. The directors also realized it was useless and unwise to ask a price which would not permit the trade (processors and retailers) to sell in volume. If the large pack were not sold, it would them be facing growers as carryover when they wished to negotiate a price in 1963.

When the 5-1/2-cent price was announced, only five processors in the United States accepted it (none in New York). The board of directors recognized we could not finance the purchase of all our members' cherries and so chopped the price to 5 cents and the manager of the association, B. I. Freeman, began to negotiate individually with each processor.

ACTION -

Wisconsin -- When Great Lakes learned in the winter of 1961 that Reynolds Brothers of Sturgeon Bay and Sturgeon Bay Cherry Growers processing plants would not be able to operate in 1962 due to financial difficulties, arrangements were made before harvest to lease for the 1962 season two of the plants in cooperation with a highly successful firm, Griffin-Toohey, and buy and pack members' cherries that could not be sold to other processors. Together with Griffin-Toohey, Great Lakes purchased and processed 10,000,000 pounds of Great Lakes members' cherries. This prevented a market collapse which would have affected the market in all the other States.

New York -- In Wayne County, Great Lakes bought over 3,600,000 pounds of members' cherries at 5 cents and had six processors pack for Great Lakes when local processors would not pay over 4 cents and some processors would not even guarantee cost of picking. Also agreed to purchase from three processors west of Rochester another 2,500,000 lbs. in March at 12-1/3 cents if processors had not sold by then. Did make that purchase, totaling 6,100,000 pounds purchased in New York.

Michigan -- In Northern Michigan, Great Lakes purchased over 3,800,000 lbs. of members' cherries to keep processors from closing plants halfway through harvest when they did not get part of the School Lunch purchase and when first handlers could not get processors to take all they had agreed to take. School Lunch officials bought an additional 100,000 cases, which helped Northern Michigan processors.

Ohio -- When processors in Ohio did not receive as many cherries as they wanted, Great Lakes shipped them cherries from Central Michigan.

Pennsylvania, Southern Michigan, Central Michigan, Northern Michigan -- Diverted cherries from processors who would not pay 5 cents to processors who would (setting up receiving stations in Central and Northern Michigan).

RESULTS -

The combination of these actions by Great Lakes strengthened the market at pack time and did hold the price to Great Lakes members at 5 cents. However, the burden of the two largest consecutive crops in our history, plus the financial weakness of many processors, caused the market to sag in the fall and winter, resulting in serious financial losses to some processors. As a result, many nonmembers and members of processing cooperatives received only 3-1/2 cents to 4 cents for their cherries.

Great Lakes was able to finance the purchase of all these cherries only because of three things: First - the use of the 3 percent contingency fund gave us a much greater purchasing power through bank loans than we ever had before. Secondly - by exporting a total of over five million pounds to Europe, we had a quick turnover of cash. And finally - several directors plus the manager again signed personal notes amounting to $125,000 to finance the purchase, processing, storage and selling of members' cherries. In all, the 3 percent investment amounting to $162,164 ($2.77 per ton) plus the export program and the $125,000 note financed over $2,000,000 worth of cherries.

If there had been no Great Lakes organization, the price undoubtedly would not have been more than 4 cents. In fact, some nonmembers did receive 4 cents and less when final settlements were made. This is not just our opinion but also the opinion of others connected with agriculture. For example, a letter came to us from the Rochester Production Credit Association and Federal Land Bank Association of Rochester in New York State commenting on our efforts. Banking organizations are traditionally conservative, and yet these persons wrote this unsolicited letter stating that we strengthened the market by as much as $20 per ton. The manager who wrote the letter told us afterwards he did so with the full approval of his board of directors. This means that, as bad as the price was at only 5 cents, it was still $20 per ton more than it would have been. And what did it cost growers to receive that extra $20 per ton?- only $4.54 per ton (2 percent - $1.77 per ton plus 3 percent - $2.77 per ton). This is over $4 returned for each $1 invested.

1963

The extremely short crop created a marketing condition which did not require lengthy price negotiations. This does not mean, however, that the Great Lakes organization was of no value to its members. For example, it successfully negotiated a 7-cent price for wind-whipped or hail-damaged cherries. This was not done without some difficulty. The association also purchased 800,000 lbs. for its Export Program and to test a new process known as I.Q.F. (Individually Quick Frozen).

JUICE

A. Juice Price - A large processor in Wisconsin offered to pay only 5 cents, a processor in Northern Michigan was willing to pay only 6 cents for juice. Great Lakes' directors decided the market warranted 7 cents to growers and decided to purchase, if necessary, members' cherries for juice at that price. When association announced its willingness to buy at 7 cents, several processors in each area finally agreed to sign contract for 7 cents. However, in New York, one processor purchased from Great Lakes members at 7 cents but gave nonmembers only 6 cents. Another processor announced a 6-cent price but paid 7 cents after market was established at that level.

B. Research Pays Off - In 1961 Great Lakes spent $1,200 on research at the A.F. Murch Co. in Michigan to assist in the development of concentrated cherry juice. As a result of this research, A.F. Murch Co. has developed a concentrate they now sell in bulk to large wineries (Mogen David and Manischewitz) and also sell at retail in a 6-ounce can. When the freeze in Florida reduced the availability of concentrated orange juice, cherry concentrate was available to help fill the gap!

Individually Quick Frozen Cherries

These cherries were put up in 55-lb. cartons and were being used for export to Europe. Some were also repackaged in a new retail container Great Lakes is developing to test on the market.

These cherries have many advantages both for export and retail sales.

EXPORT

In addition to the Individually Quick Frozen Cherries purchased for export to Europe, Great Lakes also shipped tins of 28 pounds frozen (no sugar), 30 pounds frozen (5 plus 1) and canned No. 10's. The association recognized that it could not refuse to accept orders from its European customers in a short crop year if it wished them to buy in other years. It, therefore, has made limited shipments to those customers who purchased from us when we needed them in 1962.

WHY A VARIABLE PRICE SCHEDULE FOR 1963

In April 1963, the association announced a proposed price schedule with the price to growers to be based on the final pack as reported by the United States Department of Agriculture. This price schedule proposed that the price to growers be 4 cents per pound if the processors received more than 290 million pounds and extended in price gradients up to 8 cents per pound if processors received 230 million pounds or less. Although many growers were not pleased by the announcement of a possible price reflecting less than the cost of production, the reasons for the variable price schedule and the announcement of it at that time were sound. To explain the reasons it is necessary to review the situation at that time:

Under the pressure of record crops in 1961 and 1962, processors had not been able to realize a profitable margin for their efforts in processing and selling. In fact, some of them had been forced into bankruptcy and others were in a serious financial position. In addition, it was apparent that the carryover position would be the largest in the history of the industry. The market in March of 1963 had dropped to as low as 9-1/2 cents per pound for 30 lb. frozen, which reflected no more than a 3-1/2 cents grower price. Processors and the trade were freely predicting that, with even a normal crop, the price would probably not be more than 3 to 3-1/2 cents.

Faced with such conditions, the board of directors knew that there was a strong possibility that some processors might not be willing to buy all of the tonnage offered to them, particularly if the price was to be based on crop estimates made in June. To minimize the risk of another inaccurate crop estimate, such as the disastrous error made in 1961, the directors decided to base the price on final pack-out. The price schedule was announced in April and grower-members were told that if processors refused to buy their cherries, they would be given a choice of having the cherries processed cooperatively by the association or not harvest their crop at all. If the cherries processed and sold by the association broughta profit over

the cash price, then such profits and all income of the association over the 2 percent operating fee was to be equally divided among all members, whose cherries were either sold or processed cooperatively in proportion to the value of their tonnage.

The announcement of the price schedule was made in April for two reasons. The major reason was so that there would be sufficient time to arrange for the financing of members' cherries if necessary. Needless to say, if the association had to arrange for the financing for all its members' cherries, it would represent quite an undertaking and would involve time consuming negotiations with bank officials. Secondly, it was felt by the board of directors that it would strengthen the current market for cherries if the trade knew that the association would not sell its members' cherries in 1963 for less than 4 cents even though current prices reflected less than that price.

It is a matter of history now that Mother Nature solved (at least for the time being) the surplus problem by providing the shortest crop in eighteen years. The crop was so small that it was necessary to issue a supplemental contract to processors extending the price to 9-1/2 cents per pound for a volume of cherries delivered to processors down to 150 million pounds. In short crop areas such as Southern Michigan, processors paid premiums above 9-1/2 cents. All assessments by the association, however, were based on the 9-1/2-cent price.

The market, as of now, has justified the nationally established 9-1/2 cents price and also enabled processors in short crop areas to cover the premiums they paid plus the higher cost per pound (because of reduced volume) they paid to process them. However, it has not, as some predicted it would, risen to prices which will reflect unreasonable profits to processors who paid the 9-1/2-cent price. The present market does not permit processors to obtain as good a margin of profit as they did for those cherries sold at pack time, because prices have not advanced sufficiently enough to cover the cost of carrying the cherries.

THE DEPARTMENT'S INTEREST IN INCREASING FARMERS' BARGAINING POWER

Frank W. Hussey
Assistant to the Secretary
U. S. Department of Agriculture

What makes farmer's prices? The weather -- its munificence and extremes, the land -- its bounty and its barrenness, the processors' and retailers' costs and earnings, the consumers' necessities and whims?

An infinity of variables influence farmers' prices, but there has been one constant, positive factor for many years in the farmer's struggle for better prices and better bargaining positions. Farm organizations are historically the farmer's strong ally, as they wage their continuing efforts to achieve fair prices for his products.

Within the last century the Government helped to solve another great problem of American agriculture through its substantial contributions to the development of our superior productive capacity. This development began in 1862 with the Morrill Land Grant College Act, the Homestead Act, and the Act establishing the United States Department of Agriculture.

Later, the establishment of the Interstate Commerce Commission in 1887, the Federal Land Banks in 1917, and the Farm Credit Administration in the early thirties, all improved the farmer's capacity to produce and market.

But it was not until the mid-twenties that action programs were proposed to improve prices and stabilize market conditions, and it was not until the "New Deal" of the thirties that there was general acceptance of the price support mechanism through the Agricultural Adjustment Act and related efforts. This led to the approval of Marketing Orders and Agreements under the amendments to the Act of 1937 and later changes, the last of which was in 1961.

Attempts were made for farmers to improve their own incomes through minimum pricing, price supports, and by encouraging the development of farmer cooperatives through the Clayton Anti-Trust Act of 1914 and the Capper-Volstead Act of 1922.

Today it is painfully evident that the farmer's income is still unfavorable despite all these various tries at correcting the imbalance, and the future does not seem too bright.

In 1952, the average annual family income of the nonfarm population was, roughly, $800 better than on-farm income. A decade later, in 1962, the spread had increased to slightly over $1,000.

Meanwhile, economic projections for 1964 indicate the highest level of business activity in history with the gross national product totaling over $600 billion. Even with this expansion of business, farm income will be less this year than last. Yet the net farm income has increased 16 percent since 1960. So we know that the efforts of the Department of Agriculture and the various self-help programs linked to farmer cooperatives and marketing orders have had substantial success.

Still, the disparity in farm income is evident in what remains to be done. Despite plentiful farm production and the increase in gross farm income, over half of our Nation's poverty is in the rural United States. Farming communities have three times the proportion of substandard homes that exist in urban areas.

A direct relationship seems to exist between the low farm incomes and the large proportion of substandard homes and poverty in rural areas.

This is a major reason why the U. S. Department of Agriculture has been charged by the Congress with definite responsibilities to assist farmers in their self-help programs -- assistance to help farmers secure their rightful place in the American economy.

We are concerned in this conference with bargaining opportunities for farmers in fruits and vegetables. What do we mean by the vague term, bargaining power? It might be defined as skill -- skill in negotiation -- skill in organization -- skill in administration. And this bargaining power must be applied through the three great sources of group power if it is to be successful, the sources of power found in numbers, organization, and resources.

The economic results of cooperative bargaining largely depend upon the degree of independence of big purchasers of farm products, the processors and others. If large retailing organizations of processors act in collusion, farmers have a difficult bargaining problem. They must have "power" in the marketplace to bargain effectively on anything like a basis of equality.

The concentration of economic power in the hands of the purchasers of farm products is illustrated by the fact that approximately one-hundred large-scale distribution units receive half the money spent by consumers at retail.

What we need then is more "muscle in the marketplace" as Secretary Freeman has so often said. And that is why we look to farmer cooperatives to improve our bargaining strength and the use of marketing orders to accomplish the same objective.

To develop this market power farmers must produce for the market the type of products the market wants. When they produce an unwanted surplus, an unfavorable leverage depresses prices.

Government has been of great assistance in improving farm income for certain commodities, but the same practices that are successful with one commodity cannot always be used with another. We know that voluntary methods of supply adjustment do not accomplish very much whether they be acreage guides, gentlemen's agreements, or similar methods. Neither can contracts alone control the rate of production, since areas of production and the number of individual productive units are too extensive to usually permit adequate production control under a voluntary program.

Acreage controls through legislation have shown promising success in certain commodities. Marketing orders and agreements with volume and quality control also have been effective.

While we can expect the U. S. Department of Agriculture to continue to meet its responsibilities in easing surplus production problems, we cannot expect the food handling industries to be in favor of such action while surpluses assure them of plentiful supplies at all times and in all seasons at low prices.

It is the farmers themselves who must decide where their best interests lie in the final analysis, and the more they utilize their own cooperative organizations in marketing, either directly or in bargaining, the stronger our agricultural economy will be and the greater farmers' net incomes will be. Volume controls and allied marketing tools can be used to either assist in the prevention of surpluses or in expanding outlets for farm products.

Some of the major factors involved in the development of effective bargaining by cooperatives should be considered: (1) secure positive control of enough volume to give weight at the bargaining table; (2) avoid apathy or a "wait and see" attitude by producers; (3) dependable production of quality products and conformity to specifications are necessary; (4) secure adequate marketing and other economic information; (5) divert to industrial byproducts or to relief or to export channels any surpluses that may exist; (6) encourage and expand farmer bargaining power through organizations supported and controlled by the producers themselves; (7) obtain leadership with courage and know-how to bargain effectively and with authority to act.

In our discussion of the serious income situation facing farmers, the impact of surpluses on price, and the poverty in rural areas -- all largely influenced by the concentration of economic power with those who purchase from farmers -- it becomes evident that Government has a vital interest in doing everything possible within the authorization of the Congress to assist farmers in helping themselves.

Strangely, the U. S. Department of Agriculture is often looked upon by unthinking persons as a monster that consumes taxes to serve its own ends. Thinking farmers realize that the main purpose of the USDA is to do things that farmers either cannot do as well, or cannot do at all, by themselves.

Greatly increased attention is being given today by this Administration to assisting farmer cooperatives.

A conference of farmer cooperative leaders was called on April 29, 1963 to discuss COOPERATIVES AND THE FUTURE. The recommendations resulting from this conference have been a major factor in guiding farmer cooperative policy of the USDA since.

One important development has been to reconstitute the Cooperative Advisory Committee composed of representatives of the American Institute of Cooperation, the National Council of Farmer Cooperatives, The Cooperative League of the USA, the National Federation of Grain Cooperatives, the National Milk Producers Federation, and the National Rural Electric Cooperative Association.

This committee has been meeting regularly and is energetically seeking ways and means of strengthening farmer cooperatives in the various fields of activity, both commodity-wise and service-wise.

As a further indication of the determination by the Department of Agriculture and Secretary Freeman, I would call your attention to the Secretary's Memorandum #1540, issued on July 9, 1963 and I quote in part:

> "The trend toward greater concentration of economic power in the non-agricultural segments of our economy -- and, particularly, in recent years, in those segments that sell an increasing number of necessities to farmers as well as those that buy from the farmer and process and market his products -- makes it more essential than ever that the farmer's bargaining power be strengthened.
>
> "The factors that, in decades past, resulted in repeated action by the Congress and the state legislatures to encourage farmers to strengthen their position through cooperatives become more impelling and urgent as the concentration of nonfarm economic power increases.
>
> "The USDA will therefore accept fully its responsibility to encourage the growth of cooperatives and through its various agencies provide research, educational and advisory services that will help to strengthen cooperatives in all appropriate activities in the interest of their members and the general welfare. To that end each of the agencies of the Department will give proper recognition to the basic nature of cooperative enterprise, and will exercise its functions and perform its activities in full accord with the concepts and responsibilities stated above.
>
> "The head of each agency in the USDA is expected to insure that full support to the policy herein stated is given through his agency. The Assistant Secretary for Rural Development and Conservation shall serve as liaison to insure coordination within the Department and shall be responsible for working with the National Advisory Committee on Cooperatives."

Another significant step has been the establishment of a Division in the Agricultural Stabilization and Conservation Service to deal directly with the producer associations responsible for handling price support programs in tobacco, peanuts, and Naval stores. The effectiveness of these programs has been enhanced by use of cooperatives and their success. This indicates a possibility for further expansion of this type of approach to commodity programs.

Furthermore, the work of the Farmer Cooperative Service has been strengthened and encouraged during the past three years, and I am hopeful that added resources, in terms of money and personnel, will be forthcoming. Certainly the performance of this agency warrants active encouragement, and increased allocation of resources.

The Rural Areas Development Program has taken on great stature since Secretary Freeman's indorsement of it as a program of importance to rural America -- a program made effective through better utilization of land, people, and credit. It is a serious attempt to correct the imbalance of low income areas in agriculture.

Cooperatives of all types -- bargaining, marketing, and purchasing -- will have a great opportunity to serve, and it represents a challenge not only to develop new cooperatives where none exist, but to gear existing cooperatives to the Rural Areas Development Program and expand their services accordingly.

Southern States Cooperative of Richmond, Virginia, for instance, has several pilot projects underway to start members in the feeder pig and egg businesses in areas where there is a ready market for these items.

We all know that bargaining associations and marketing and purchasing cooperatives are effective ways for farmers to help themselves; however, not enough attention is given to Marketing Orders and Agreements as ways of improving farm income. There are 82 dairy orders and 43 marketing orders for fruits and vegetables. Many have been operating for years and assisting effectively in strengthening the economic position of farmers where they are applied.

Marketing Orders and Agreements offer much promise to the producer for building "economic muscle" in the future.

The Government tries to raise farm income in other ways, too. The Economic Research Service has been studying competitive market conditions of commodities. For example, now they are cooperating with Michigan State University, Cornell University, and Pennsylvania State University on the pricing and interregional competition for apples and cherries. Studies also are underway on the market structure and performance in the Rio Grande Valley of Texas with special emphasis on tomatoes. Research on demand and other market factors are underway on citrus with the Florida and Texas Agricultural Experiment Stations.

The service and regulatory agencies of the USDA, such as Market News, Inspection, enforcement of the Perishable Agricultural Commodities Act, and the U. S. Warehousing Act all play a big part in distribution of farm products.

A word of caution however. In our praise of our marketing system, we must not lose sight of one of the basic reasons for these services -- the improvement of farm income. All too often the farmer becomes the residual receiver after charges for all these services are deducted. It is my conviction that more attention should be given to securing a larger share of the consumer dollar for the farmer as compensation for his great contribution to the welfare of this and other Nations.

And this is where bargaining cooperatives are making one of their greatest contributions -- that is, in helping the producer gain enough market strength by way of larger volume and specified products to negotiate successfully for a fair price.

A farmer -- just as other producers of consumer goods -- should not be expected to market his product for less than what it costs to produce it. No businessman can long survive under such conditions.

If too many farmers are forced out of business, the consumers eventually suffer by paying more for scarce commodities.

In addition, it is in the interest of the American homemakers to have a steady dependable supply of uniform, good quality products -- the very items bargaining cooperatives can assemble into one package for marketing.

Thus, the general good calls for a team effort by producers, bargaining cooperatives, processors, marketers, USDA, and all the others involved in the marketing structure. The men and women behind these organizations and services, whether they are called the foot soldiers of the War on Poverty, the engineers of rural development, or the watchmen of America's marketing channels, are essentially dedicated human beings who work at improving the farmer's bargaining position in countless ways.

Yes, the Government's interest in increasing farmers' bargaining power is as broad as its programs, as basic as its personnel, and as effective as the degree to which an administration uses programs and personnel to solve this most challenging problem in American agriculture.

THE RETAILER AND THE FARMER -- PROBLEMS AND OPPORTUNITIES

S. Kent Christensen, Agricultural Counsel
National Association of Food Chains
Washington, D. C.

Several months ago I was asked to make some comments at another meeting on how retailers looked at farmer bargaining associations.

Since that time I have been reviewing some of the speeches and panel discussions of your previous meetings. I am very much impressed by the caliber of the people and the realism and sensibility of the ideas kicked around in your sessions about bargaining and bargaining techniques and farmer collective bargaining.

I am impressed by the long experience of many of you who have served with bargaining associations. In light of this vast amount of cumulative experience and your wealth of knowledge, I feel extremely humble in appearing before you.

Your experience as bargaining associations has been largely with processors. You have dealt with retailers mainly where they may have integrated into processing operations and were acting as processors.

I believe the future will bring a much closer relationship between chainstore and producer than in the past. Particularly in fresh fruits and vegetables, the supply lines are being shortened and many large chainstores (whether corporate or voluntaries), and cooperative groups are buying directly from growers or grower processors. Even in processing I expect a greater amount of direct contact due to some producers integrating forward into processing and some chains integrating backward into processing. Also the trend is away from open market buying toward contract production and other preselling arrangements.

In light of these trends and important changes in elasticity of demand, I think it is important that you have some idea of how chainstores or other large retailers may react to your organized efforts to improve your market position.

Not all of the food chain leaders are going to agree totally with what I have to say to you. On the other hand, the leading thinkers including our own National Association of Food Chains staff and the great majority of the board of directors of NAFC will concur in general with the thoughts I present.

Food chains in the United States do about 45 percent of the grocery store business. This is four to five percent more than was done by the corporate food chains 25 years ago. A similar portion of the grocery store business is done by what we call the voluntaries and the cooperative retailer groups -- sometimes called the affiliated independents.

The retail cooperatives, as the name implies, are very much like farmer cooperatives. They are organizations where a group of retailers have gone together, set up facilities and hired a staff to do their warehousing and buying. The voluntaries are made up of retailers who have a formal contractual relationship with a particular wholesaler who does at least part of the warehousing and buying for them. Neither the co-op nor the voluntary grocers purchase nor warehouse enough to meet all their requirements. An important percentage of the products of most independent retailers are purchased directly from suppliers. Also, I might add that some of the chainstores buy products through the co-ops and the voluntaries.

While there have been many mergers in the chainstore industry, today there are more chainstore organizations than there were 10 years ago. In 1953 there were about 2,879 chainstore firms with two or more stores. Today there are about 3,400 such organizations -- or about 500 more.

Most of this increase has been in two store organizations but the number in each of the other classifications, that is, (4 to 9), (10 to 24), (25 to 99) and (100 or more) is approximately the same as it was 10 years ago. In the 25 to 99 classification, for example, there were 85 firms in 1952 and 84 firms in 1962. However, 44 of the firms in this size classification were new -- either smaller chains growing into this size or larger chains moving down by losing a share of the market. They replaced the 44 firms which went out of business either through merger, bankruptcy, or moving to a higher or lower-size classification.

The big change has been in the affiliation of independent retailers with voluntary and cooperative organizations.

The National Association of Food Chains has as members only 250 of the 3,400 chainstore firms. We do have all of the larger organizations except A&P, a goodly number of the mediums, and a cross-section of the small. Our members do roughly 30 percent of the grocery store business -- about $15 billion a year and they operate close to 14,000 stores.

There are about 32,000 supermarkets, about half of them corporate chains, and half, independents. The supermarkets do about 71 percent of the grocery store business in the United States. The supermarkets have replaced thousands of small stores which have gone out of business. However, many thousands of the stores closed were small chainstores. A&P, for example, had 15,000 stores prior to World War II. It now has about 4,000. Kroger at one time had 10,000 stores -- today it has about 1,500.

All of our larger members are broken into divisions and in most instances, each division is on its own in buying and selling. The 27 divisions of Safeway, for example, function independently in buying meats and many other products. Consequently rather than one buyer for Safeway Stores there are many. The same thing is true for most other products.

In my position with the food-chains I have an opportunity to work with all the commodity groups in this country, from the producer through to the retailer. I do not have the ability nor the time to fully analyze the advantages and shortcomings of the overall food industry. However, I know that there is a need and an opportunity for buyers (processors or retailers) to work more closely with producer organizations.

Never before has the pressure been greater upon farm organization leaders to develop programs to stabilize prices and improve income and profits. Tremendous changes have come about in agriculture in the last 25 years, and we tend to overlook the effect of these changes upon our thinking about agricultural policy and programs.

Particularly important are the effects resulting from changes in the cost structure in agriculture. Before the war only about one-third of the production inputs in agriculture were purchased by farmers. The inputs of horsepower, fertilizer, labor, seeds, replacement livestock, et cetera, were produced on the farm. In contrast, in 1963 about 70 percent of the inputs in agriculture are being purchased from commercial sources.

One of the reasons for this tremendous change in price structure has been the specialization in agricultural production. Along with specialization, but not necessarily tied to it, has been large increases in investments in machinery and farms. The combination of these factors -- that is, change in cost structure, specialization, and high investment makes producers much more vulnerable to market price fluctuations than has been true historically. Farmers are less able to tighten their belts, put off expenditures, and wait for a better year. Neither can they rely on income from diversified crops to the extent they did earlier.

We have also had some important changes in market demand. With rising income Americans are more able to buy all the food they desire and, as a result, will not increase their food use much if incomes rise further or if prices drop.

Consumers will use most of the increases in incomes or the benefits of lower food prices to buy other consumer items. Under these conditions of inelastic demand, prices inherently must fluctuate more violently than they did formerly to induce consumption changes when there are food shortages or surpluses. This situation will intensify in the future.

If wide gyrations in price are to be avoided, various systems must be developed which permit the matching of production and consumption at prices more nearly satisfying both the producers and processors.

From the most conservative to the most liberal, agricultural producers are looking for new marketing programs -- new relationships with buyers. To date, the programs discussed and acted upon vary from complete laissez faire to regimented governmental controls.

If I interpret my agricultural history correctly, the present combination of circumstances is most favorable to rapid changes in organization and structure of farms. This will have a very important influence on the way agricultural products are marketed.

The leaders in the food chain industry are aware of your efforts. Generally, food chains feel there is an opportunity, even an obligation to work with producer groups in efforts to improve their lot through changes in organization, pricing, and marketing techniques. Also, large, cohesive, market-oriented producer groups can help make the mass distribution system operate more efficiently and provide an alternative to government controls.

Food chains are not opposed to producer-organizations including bargaining associations. On the other hand, we do not think bargaining associations alone can materially raise the return to agricultural producers.

The fact that there are substitutes for many agricultural products -- imposes a severe limitation on how much prices can be raised without either losing markets or stimulating excess production. Thus price increases may be in nickels, dimes, and quarters, rather than in dollars.

Bargaining associations are better able to stabilize prices than to raise them in the long run. Stability is important but, a partial answer.

Bargaining associations can help the agricultural economy especially in areas such as contract production in which they help to determine the volume of production needed for market. In some instances bargaining associations can stabilize prices and perhaps maximize returns by diverting portions of the crops to secondary markets or uses. In other words, bargaining power does not develop from the manipulation of prices but rather from the manipulation of factors that influence prices.

In our opinion farmers will not increase their market power significantly through a single approach, simple solution, or technique. Marketing is a complex phenomena. Producers must realize that market power will come only with strong market development programs.

The tools for the job include high quality, standardized products, new product development, advertising and promotion, and orderly marketing -- matching supplies to demand at prices acceptable to producers.

In some instances marketing orders may be desirable. Marketing orders can be used effectively by organized producers who have an adequate knowledge of marketing and who understand the limitations of such programs. Of course, marketing orders are not a cure-all. They can raise prices only a small amount over the long pull.

Collective bargaining is another tool that may be applicable sometimes. It is most effective in combination with the other approaches mentioned. All producers of a commodity need to be in one organization for that organization to be effective. Other segments of the food industry have demonstrated that they can attain a certain degree of market power without having the power of a monopoly.

One aspect of this picture needs more attention and understanding by you, if you are to be successful in getting wide acceptance of collective bargaining -- buyer "education."

Collective bargaining and some other programs are not new except in some industries and sections of the country. If the program is to expand and to be received by your buyers they must be sold on it. It must be sold on its merit to agricultural producers, its advantages for retailers and processors, and its benefits to consumers.

For every person who understands your type of program, and there are many, there are thousands who do not. You must educate producers. You must educate rural people and those who influence them -- university personnel, extension services, editors of rural papers, and State and Federal officials who have the responsibility for designing and administering agricultural policies and programs.

Collective bargaining and similar concepts might be presented in the following content:

1. Get across to your buyers that it is less tolerable for producers to accept the kind of price gyrations under current production conditions than in the past.

Thus given current pressures there is intensity of effort to find solutions and someone is going to organize agriculture whether it be legitimate, traditional producer-groups or new more radical thinking organizations or government itself.

It is not a matter of accepting the status quo or a proposed new program. It is a matter of accepting government controls or a combination of government controls and rather radically conceived producer programs versus soundly conceived, constructive programs proposed by sound thinking farm organizations.

Most processors and retailers should be willing to support efforts which seek to maintain the private enterprise approach. These segments should be willing to help you in your programs if you are not to be brought under regulation and they in turn. Processors and retailers generally know that private organizations must accept the consequences of their actions in programs designed to influence prices, whereas this is not true of many government programs.

2. You must convince processors that your approach is moderate and sensible -- that you do not desire to dominate but to sit down as equals in negotiating contracts, prices, and the like -- that you are not attempting to force your prices on them but that you are not willing to accept prices decided upon by your buyers.

3. You must convince your buyers that you recognized the law of supply and demand and its effect on prices. Also that there may be substitutes for your products. Then too, unduly high prices will encourage your own producers to expand production beyond demand at acceptable prices.

In summary, the leadership of the National Association of Food Chains is ready to encourage soundly conceived, market-oriented, producer-organizations. We are aware that, with few exceptions, individual producers are not in a position to supply us with the standard, uniform quantities of the products we desire. This can only be done through a large organization of producers. We are also of the opinion that only organized groups are in a position to do or to assist in research in new products and to engage in market development programs. Only <u>organizations</u> of producers are in a position to use effectively all of the tools necessary for developing sound marketing programs including contract-production programs.

Intelligent group programs must be developed and supported by knowledgeable, well-informed memberships. Buyers should have no fear of programs developed by informed producers. Informed producers will not permit their product prices to get out of line with competing areas or competing crops.

Some have proposed that regulation of buyers is the answer to farm problems. We do not agree. We think that you are a victim, so to speak, of your own tremendous ability to produce. In my opinion, the programs to solve your problems lie in changes in the market-organization and structure of your own segment of the industry rather than in redesigning the retail and wholesale segments.

It has been an honor to be with you. Thank you for listening. I hope I have left one or two thoughts worthy of your consideration. Much success to you in this new and promising but nevertheless very complex and somewhat baffling endeavor.

GOALS AND METHODS IN ACHIEVING BARGAINING POWER

Gordon Sprague, Economist
Land O'Lakes Creameries, Inc.
Minneapolis, Minnesota

We think of bargaining power as the ability to exercise enough control at some point along the route to market, to influence prices. This may be done at any one of several points and by several means. Usually it is done by withholding (feeding the market) but other and more sophisticated procedures also may be used.

About 1920, it seemed feasible to organize cooperatives that could control the supply of products. Efforts in this direction were largely ineffective.

The next move was to have our Government help with the withholding. The Federal Farm Board sponsored national marketing cooperatives and provided help by lending money to these cooperatives to help with the withholding. This is now history.

The Agricultural Adjustment Act of 1933, very similar to the McNary Haugen proposal of the 1920's, was declared unconstitutional because of a processing tax designed to provide money for withholding.

Several dairy cooperatives had considerable experience with withholding in 1938 and 1939 when the Dairy Products Marketing Association and the Department of Agriculture decided to "peg" the price of butter and prevent further price declines. The activities were successful at first, but surpluses accumulated under the higher prices, finally forced the participants to give up this means of price support through withholding.

We now operate under the Agricultural Adjustment Act of 1949. Prices are determined by the Secretary of Agriculture. The products included under this act are withheld at the support price and the quantities withheld are accumulated and disposed of by the Department.

We are now keenly aware of the fact that raising prices by withholding inevitably defeats itself. The higher prices increase production and at the same time reduce consumption. Any organization attempting to raise prices by bargaining, using the procedures of feeding the market or withholding to control supply, will be faced with pressures from competing products, storage costs and in the process of storing, the products must be properly processed for storage.

It is essential for success that such a program also include a means of clearing the market including disposition of competing products. It also seems essential that something like the Food for Peace Program must be continued to provide a place for disposing of surpluses. These surpluses effectively prevent market price increase.

The experience to date is that without Government to help with withholding, price supports are not a device which cooperatives can use. Experience to date also suggests that Government cannot really solve the problems of competition within the U. S. and between competing products. It also appears to me that State control bills, fair trade laws, and Federal orders will not fully solve these problems. All of these devices tend to restrain competition. They often represent a search for some sort of limited monopoly control which may be good for the organization that happens to be insulated by them, but usually does not help advance the cause of higher incomes for agriculture.

Cooperatives are advised to automate, to integrate, and to innovate. These are more sophiscated activities which support bargaining power in addition to withholding actions.

Integration will increase individual plant volume and reduce cost which, of course, is very important. Automation also reduces cost. Innovation is mainly effective in developing devices which makes it possible for one organization to do something that its competitor has not considered, or perhaps cannot do. Innovation may also provide new products or routes to market.

Integration can be a delusion. This is particularly true if points along the routes to market are integrated at which there are characteristically no earnings. In almost any route to market, there are service functions performed which do not yield much gain. Integration at such points may compound problems. Along most routes to market, however, there are points at which earnings are characteristic. This suggests that integration should include these profit points. Since the value of a business or an industry is likely to be related to its earnings, the integration of profit points is likely to be expensive.

Innovation either with reference to procedures or products is likely to require research and be difficult of achievement by small organizations; consequently, organizations with considerable volume, and research orientation, are likely to be more successful in innovation.

One hears a great deal about cooperative competition and one also hears that this is all bad. It would seem to be relatively easy for cooperatives in a given area, or with market related or competing products, to cooperate further by organizing themselves, if for no other purpose, then to share the cost of research for innovation, and to share plans for growth within the areas they represent.

Such a program would certainly relieve cooperative management of a source of worry about activities of other cooperatives, working within the same area both on production and marketing.

Such an action would be an innovation and should also release the energies of management for other growth and development projects.

SOME LEGAL DEVELOPMENTS OF INTEREST TO BARGAINING COOPERATIVES

Allen A. Lauterbach, General Counsel
and Assistant Secretary-Treasurer
American Farm Bureau Federation
Chicago, Illinois

I appreciate the opportunity to participate on this program. The comments by our previous speaker, Dr. Gordon Sprague of Land O'Lakes Creameries, recalls memories for me when, as a youngster, I saw my father and other farmers in Minnesota striving in the 1920's--against what appeared to be overwhelming odds--to organize cooperative units of Land O'Lakes Creameries and other cooperative ventures, such as livestock shipping associations.

Similar efforts by farmers throughout the country during the past 40 years have enabled farmers to be in a better position to solve their own economic problems.

The Farmer Cooperative Service of the USDA has played an important role through the years by helping farmers build sound, effective cooperatives.

Farm Bureau's support for an expanded marketing program to strengthen the marketing and bargaining position of farmers was reiterated at the recent American Farm Bureau Federation (AFBF) annual meeting in the following resolution:

> "The American Agricultural Marketing Association and the tate marketing associations have been organized (1) to help farmers and ranchers determine, earn, and obtain the full market value for farm commodities; (2) to facilitate orderly marketing; (3) to expand markets and promote the sale of commodities in domestic and foreign markets; and (4) to initiate and promote special services for growers. There is urgent need for this program, and State Farm Bureaus should give it high priority.
>
> "Farm Bureau believes that the market power of farmers can best be achieved by the use of the market price system. Under this system, supply and demand become the primary factors in determining the true market level for agricultural commodities. Withholding products from the market in order to fix prices above the true market level cannot achieve a lasting improvement in farmers' market power. A far more effective approach is the use of contracts negotiated by voluntary associations of farmers as far in advance of production as practical. Contracts should provide for such things as size, uniformity, weight, and quantity. Prices should be related to realistic market values.

"Those who want the market price system to work should be afforded the protection necessary to realize that opportunity. We support legislation to prohibit unfair trade practices designed to discourage farmer participation in voluntary marketing programs.

"Farmers should not be denied the right to market their products because of voluntary membership in a marketing-bargaining association."

With the concentration of the marketing and distribution of agricultural products in the hands of fewer buyers, and the resulting dangers of monopolistic practices from such concentration, we believe that it is not only in the best interest of farmers but also in the best interest of our entire national economy that the marketing power of farmers and ranchers be strengthened.

The wider use of contract marketing has also created a greater need for strengthening the bargaining position of farmers. Many farmers, agricultural leaders and economists are of the opinion that in the future most agricultural commodities will be produced under contract, with terms of price, quantity, quality, delivery, and the like, clearly specified in the contract. These contracts will be negotiated well in advance of marketing--and in many instances, before actual production. As you know, marketing contracts of this nature are now being used for some commodities.

In order to have a contract that is fair to all concerned, the parties to the contract must be able to negotiate from strength rather than from weakness. This is why processor recognition of legitimate marketing-bargaining associations is so important and why discriminatory tactics by processors cannot be tolerated. We all know that failure to sign a sufficient membership and tonnage prevents an association from obtaining the necessary <u>recognition</u> from processors.

We believe that growers should not have to operate in an economic climate where they fear processor reprisal because they are members of an association which has as its purpose the strengthening of the market power of its farmer-members. Experience has proven that the present Federal antitrust legislation does not effectively deal with certain unfair trade practices which have been carried on by some processors.

On May 27, 1963 the Governor of the State of Nebraska signed Legislative Bill 452, known as the "Right to Market Law," which amended the Nebraska law relating to picketing. This Amendment was designed, in part, to protect the rights of farmers who desire to market their products against destructive or harmful acts during a strike or withholding of farm products from the market.

For a brief report on cases involving antitrust matters it is suggested that you review recent issues of "Summary of Cooperative Cases," Farmer Cooperative Service, USDA, particularly Legal Series Nos. 23 and 25.

In conclusion, I would like to say that recent legal developments point out -

(1) The need for new legislation to prohibit unfair trade practices designed by processors to discourage farmer participation in voluntary marketing programs.

(2) The need for a better understanding and appreciation of the antitrust laws by management and others engaged in marketing-bargaining activities.

(3) The need for a periodic review by cooperatives of their articles of incorporation, bylaws, membership and marketing agreements, and voting procedures at membership meetings, to make sure that the interests of their members are fully protected at all times.

As we look to the future, it becomes increasingly important that agriculture must be diligent in protecting what rightfully belongs to it.

Sound cooperative marketing-bargaining associations are tools and instruments of their farmer-members through which they can help themselves in determining the destiny of American agriculture.

The structure and programs of our cooperatives, as well as our general farm organizations, must be continually strengthened as they meet the challenges of a changing agriculture.

LEGAL DEVELOPMENTS OF INTEREST TO BARGAINING COOPERATIVES

Lyman S. Hulbert *
Attorney-at-Law
Washington, D. C.

I am much in favor of the statute of California that has been discussed by one of the preceding speakers and I am also much in favor of the measure sponsored by the American Farm Bureau Federation that has been discussed.

The Capper-Volstead Act is highly important but it covers only a restricted field. It does not confer a blanket immunity on marketing cooperatives. It does not apply to purchasing cooperatives.

Under that Act, a hundred farmers or a thousand or a hundred thousand or all the farmers in the United States could join one marketing cooperative association meeting the conditions of the Capper-Volstead Act, and all this would be legal if they joined voluntarily; but farmers may not be forced to join a cooperative by coercive or predatory acts.

After a cooperative marketing association has been organized, it must be as good as anybody else. The same laws that apply to the practices and business conduct of noncooperative corporations apply to cooperative corporations. The rules of business conduct are identical for cooperative corporations and for noncooperative corporations.

Even in these days when we are being smothered by agricultural abundance, it is still against the law for a Capper-Volstead cooperative to restrict the amount of agricultural commodities that may be produced and sold by its members.

Attention is called to the distinction between what a producer may produce and sell and what a cooperative may be required to receive and market; and the two propositions should not be confused.

A cooperative is required to receive and market only the quantity of agricultural products it agreed to receive and market.

You are particularly interested in how a cooperative marketing association may bargain or sell its agricultural commodities.

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* Mr. Hulbert is engaged in the private practice of law and appeared on this program in his capacity as legal consultant for the American Institute of Cooperation.

One answer is that it may bargain or sell such agricultural commodities by any means or methods that would be legal for a noncooperative seller. For many years, labor unions have been bargaining in some instances on what has been described as an industrywide basis. This just means that the labor representatives of say the big automobile companies could sit down on one side of the bargaining table and the representatives of the labor union could sit down on the other side of the table and bargain.

But the Department of Justice of the United States has consistently held for many years that a cooperative marketing association may not bargain on an industrywide basis. On the other hand, any bargaining that is done must be done on an individual basis.

The Capper-Volstead Act spe c ifically provides that cooperative marketing associations of farmers that meet the conditions of that Act may have marketing agencies in common. This means that two, three or more qualified cooperatives may form and sell through a common marketing agency completely controlled by them.

As a result, of course, they would be able to completely eliminate all competition among them. But any such common marketing agency must do so on an individual basis and could not bargain on an industrywide basis.

Now, do not jump to the conclusion that because two or more qualified marketing cooperatives may have their commodities sold at the same price by a common marketing agency of which they are members, that this may be accomplished by an agreement between the cooperatives to all sell at the same price. The Department of Justice has refused to agree that this may be done. There may be attorneys who would argue that the Department of Justice is wrong.

But, if you wish to be safe, form a common marketing agency and sell through this agency and know that you are in the clear.

As previously pointed out, all marketing cooperatives, all common marketing agencies and all bargaining cooperatives must sell only on an individual basis and may not legally bargain on an industrywide basis. Bills have been introduced in Congress to authorize bargaining on an industrywide basis; but no such bill has become law. There seems to be quite a difference of opinion among those concerned regarding the advisability of such legislation.

The greatest danger to cooperatives today is from what attorneys call third party actions. There is a provision in the Antitrust Laws that any person who is damaged by a violation of such laws may bring a suit to recover the amount he has lost by reason of such violation and, if he recovers, the law automatically increases the amount of the recovery three-fold.

In recent years, there has been a tremendous increase in the number of such third party actions that have been brought. Apparently, it was believed (or at least that was the theory that was apparently acted upon) that no such action should be brought until the Department of Justice in an antitrust proceeding established that a defendant was guilty.

Now, however, many such third party actions are filed against defendants against whom the Department of Justice has not proceeded. It must then be established, if the plaintiff is to recover, that the defendant or defendants have violated the Antitrust Laws and that this violation caused damages to the plaintiff.

There are many ways by which the Antitrust Laws may be violated; and the managers and officers of cooperatives should seek competent legal advice in advance on the question of whether proposed action would violate the Antitrust Laws. If a given act or transaction under the same circumstances would constitute a violation of the Antitrust Laws if done or entered into by a noncooperative concern, it is believed that it would constitute such a violation if done or entered into by a cooperative.

Such third party actions have been successfully brought against cooperative marketing associations, notably Sunkist and North Texas Producers Association. The latter case was decided in June 1963 and the amount of the damages assessed against the association on a three-fold basis was $1,095,000.

RESOLUTION

WHEREAS: The exchange of information among cooperative management is vital, and

WHEREAS: The problems and operations of cooperatives are similar, and

WHEREAS: The National Conference on Cooperative Fruit and Vegetable Bargaining Associations establishes a forum on which both information can be exchanged and problems can be compared, and

WHEREAS: At the request of cooperative fruit and vegetable bargaining cooperatives, the United States Department of Agriculture has arranged annual conferences;

THEREFORE BE IT RESOLVED: That the cooperative fruit and vegetable bargaining associations throughout the nation commend and wish to show their appreciation to the United States Department of Agriculture, and especially to Dr. Joseph G. Knapp, Administrator of the Farmer Cooperative Service, for the development and continuance of this invaluable service.

The attached list of participants at the final session of the 8th Annual Meeting at Houston, Texas, unanimously approved this resolution and expressed their enthusiastic approval of this year's program.

FURTHERMORE: It is the desire of those participants of the Houston Conference that a similar program be arranged for 1965. We therefore ask the Farmer Cooperative Service, and especially Dr. Joseph G. Knapp, Administrator, to consider and conduct such a program. It is understood that such a meeting would be held immediately preceding the National Council of Farmer Cooperatives Annual Meeting at Seattle, Washington.

Robert F. Holt, Secretary-Manager
California Tomato Growers Association

LIST OF FRUIT AND VEGETABLE BARGAINING COOPERATIVES 1/

Fruit Bargaining Cooperatives

1. Apricot Producers of California
237 Almendra
Los Gatos, Calif.
John R. Adams, General Manager

2. California Canning Peach Association
World Trade Center, Ferry Building
San Francisco 11, Calif.
Ralph B. Bunje, Manager

3. California Canning Pear Association
64 Pine Street
San Francisco 11, Calif.
Cameron Girton, Manager

4. California Freestone Peach Association
422 Fifteenth Street
Modesto, Calif.
Richard L. Black, Manager

5. California Processing Apple Growers Association
25 California Street
San Francisco 11, Calif.
Neil K. Holbrook, Manager

6. Eastern Fruit Marketers Cooperative
Box 668
Winchester, Virginia
J. Kenneth Robinson, President

7. Florida Orange Marketers
P. O. Box 745
Winter Park, Fla.
E. H. Squire, Manager

1/ This list, based on reports from various sources as of March 1963, includes associations having as one of their objectives the negotiation of contract terms with processors. Some of the associations, however, are currently inactive and some, because of their recent organization, are not yet actively operating. Also listed are State Farm Bureau marketing associations affiliated with the American Agricultural Marketing Association.

8. Great Lakes Cherry Producers Marketing Cooperative
   801 Cherry Street, S. E.
   Grand Rapids 6, Michigan
   Berkley I. Freeman, Manager

9. Idaho Processing Apple Growers
   Caldwell, Idaho
   Stanley Robinson

10. Independent Red Raspberry Growers of Washington
    Route 12, Box 268
    Tacoma, Wash.
    Hedwig Bisig, President

11. Kadota Growers, Inc.
    P. O. Box 26
    Planada, California
    V. E. Scott, Manager

12. Maryland Fruit Marketers Cooperative
    Hancock, Md.
    R. Sam Dillon, Jr.

13. Michigan Processing Apple Marketing Association
    201½ East Grand River Avenue
    East Lansing, Mich.
    John J. Timpson, President

14. New York State Grape Growers Cooperative
    Farm and Home Center
    Penn Yan, N. Y.
    Howard C. Green, President

15. Northwest Berry Association
    Route 1, Box 139
    Canby, Oregon
    John C. Webber, President

16. Pacific States Canning Pear Marketing Association
    Wenatchee, Washington
    Vernon Stockwell, President

17. Pennsylvania Fruit Marketing Cooperative
    Gardners, Pa.
    William A. Lott, President

18. Puyallup Valley Berry Growers Association
    602 Todd Road
    North Puyallup, Washington
    Charles W. Clark, Secretary-Manager

19. Tri-County Grape Growers Association
    Route 1
    North Madison, Ohio
    Walter L. Green, III

20. Virginia Fruit Marketers Cooperative
    P. O. Box 668
    Winchester, Va.
    J. Kenneth Robinson, President

21. Washington Freestone Peach Association
    P. O. Box 2056
    Yakima, Wash.
    Harlan Gannon, Manager

22. Washington-Oregon Canning Pear Association
    202 Holtzinger Building
    Yakima, Wash.
    Clay Whybark, Manager

23. West Virginia Fruit Marketers Cooperative
    Martinsburg, W. Va.
    Douglas Miller, President

<u>Vegetable Bargaining Cooperatives</u>

1. California Cucumber Growers Association
   P. O. Box 666
   Fremont, Calif.
   S. E. Williams, Secretary

2. Cannery Growers, Inc.
   Box 46
   Maumee, Ohio
   A. W. Matthews, Secretary-Manager

3. Contract Growers Association
   Route 1
   Kuna, Idaho
   Norman Cole, President

4. Growers Processing Association - Santa Maria Valley
   P. O. Box 901
   Santa Maria, California
   Al McKenzie, Manager

5. Idaho Potato Bargaining Association
   Paul, Idaho

6. Iowa-Illinois Cannery Growers' Cooperative
   Wilton Junction, Iowa
   Herbert Ovesen, President

7. Keystone Vegetable Growers Association
   75 North Main Street
   Doylestown, Pennsylvania
   Newton M. Comly

8. Magic Valley Canning Crop Growers Association
   Hagerman, Idaho
   Bob Brailsford, President

9. Malheur Potato Bargaining Association
   Ontario, Oregon
   Wesley Roberts

10. Mesa County Tomato Growers
    Fruita, Colorado
    Herman Beard, President

11. Michigan Asparagus Growers Cooperative Association
    4000 North Grand River, Box 960
    Lansing 4, Michigan
    J. Ward Cooper, Secretary

12. New Jersey Vegetable Growers Cooperative Association
    168 West State Street
    Trenton, New Jersey
    David Fogg, President

13. New York Canning Crop Growers Cooperative
    Box 290
    Batavia, New York
    Michael J. Muscarella

14. Northewst Washington Farm Crops Association
    621 West Division
    Mount Vernon, Washington
    Ray Schink, Executive Secretary

15. Oregon Vegetable and Fruit Growers Association
    Route 2, Box 137
    Salem, Oregon
    Walter Collett, Manager

16. Oregon-Washington Pea Growers Association
    Athena, Oregon
    Don Webber, President

17. Utah State Canning Crop Association
    173 South Main Street
    Logan, Utah
    A. W. Chambers, Secretary-Manager

18. Ventura Fordhook Lima Bean Bargaining Association
    841 F Street
    Oxnard, California
    John Dullam, Secretary

19. Walla Walla Vegetable Growers
    1006 South Main Street
    Milton-Freewater, Oregon
    Orlo S. Carver, Manager

20. Washington Asparagus Growers Association
    318 S. Seventh Street
    Sunnyside, Wash.
    Gene R. Coe, Manager

State Farm Bureau with the Affiliated Marketing Association

American Agricultural Marketing Association
1000 Merchandise Mart
Chicago, Illinois 60654

Charles B. Shuman, President
Roger Fleming, Secretary-Treasurer
Allen Lauterbach, Assistant Secretary-Treasurer
Wayne E. Tyler, Field Director
Harold J. Hartley, Manager, Fruit & Vegetable Division
J. Ward Cooper, Manager, Apple Department

1. Agricultural Service, Inc. - New Hampshire
   191 N. Main Street
   Concord, N. H.
   A. Paul Stimson, President
   Richard G. Kelley, Secretary
   Lloyd E. Conery, Manager

2. California Agricultural Marketing Association
   2855 Telegraph Road
   Berkeley 5, California
   Herbert Dalton, Director of Special Services

3. Delaware Farm Bureau
   Dupont Highway, Route 13, Box 110
   Dover, Del.
   James H. Baxter, Jr., President
   Earnest F. Smith, Jr., Manager

4. Farmers Agricultural Cooperative Trading Society - Massachusetts
   155 Lexington Street
   Waltham 54, Mass.
   Lloyd A. Hathaway, President

5. Indiana Agricultural Marketing Association
   130 E. Washington Street
   Indianapolis 4, Ind.
   George Doup, President
   Paul T. Norris, Manager

6. Kansas Agricultural Marketing Association, Inc.
   2321 Anderson Avenue
   Manhattan, Kans.
   Walter C. Peirce, President
   Myron Hillman, Manager

7. Maryland Agricultural Cooperative Marketing Association
   P. O. Box 520
   Randallstown, Maryland
   A. Kenneth Miller, Manager

8. Michigan Agricultural Cooperative Marketing Association
   4000 North Grand River Avenue
   Lansing, Mich. 48904
   Walter Wightman, President
   Robert E. Braden, Field Services Director

9. New Jersey Agricultural Marketing Association, Co-op.
   168 W. State Street
   Trenton 8, N. J.
   Carleton E. Haritage, President
   C. H. Fields, Secretary

10. New York Farm Bureau Marketing Cooperative, Inc.
    210 Savings Bank Building
    Ithaca, N. Y.
    William E. Bensley, President
    John S. Gold, Manager

11. Ohio Agricultural Marketing Association
    245 N. High Street
    Columbus 16, Ohio
    Wendell Wller, President
    D. R. Stanfield, Secretary
    C. William Swank, Manager

12. Oregon Agricultural Marketing Association
    P. O. Box 2209, 1730 Commercial Street
    Salem, Oreg.
    Harold Beach, President
    Ralph McDonald, Manager

13. Pennsylvania Agricultural Cooperative Marketing Association
    21st and Chestnut Avenue
    Camp Hill, Pa.
    G. A. Biggs, President
    Wesley Haer, Manager

14. Quality Vegetable Growers Association - Illinois
    1701 Towanda Avenue
    Bloomington, Ill.
    Phillip C. Collins, President
    J. L. Pidcock, Manager

15. South Carolina Farm Bureau Marketing Association
    P. O. Box 754
    Columbia, S. C.
    David H. Sloan, Jr., President
    E. W. Brooks, Secretary

16. Texas Agricultural Marketing and Development Association
    401 Franklin Avenue
    Waco, Tex.
    C. H. DeVaney, President
    Walter Meyer, Manager

17. Utah Agricultural Marketing Association
    65 E. Fourth South Street
    Salt Lake City, Utah 84111
    A. V. Smoot, President
    Frank G. Shelley, Secretary

18. Virginia Agricultural Marketing Association
    212 W. Grace Street, P. O. Box 2-B
    Richmond 3, Va.
    Robert B. Delano, President
    A. T. Lassiter, Manager

19. West Virginia Agricultural Marketing Association, Inc.
    Adrian Road, Route 3, Box 156-A
    Buckhannon, W. Va.
    Paul Nay, President
    E. O. Gregory, Secretary

20. Wisconsin Agricultural Marketing Association
    801 W. Badger Road
    Madison 1, Wis.
    Percy Hardiman, President
    Lawrence A. Rens, Manager